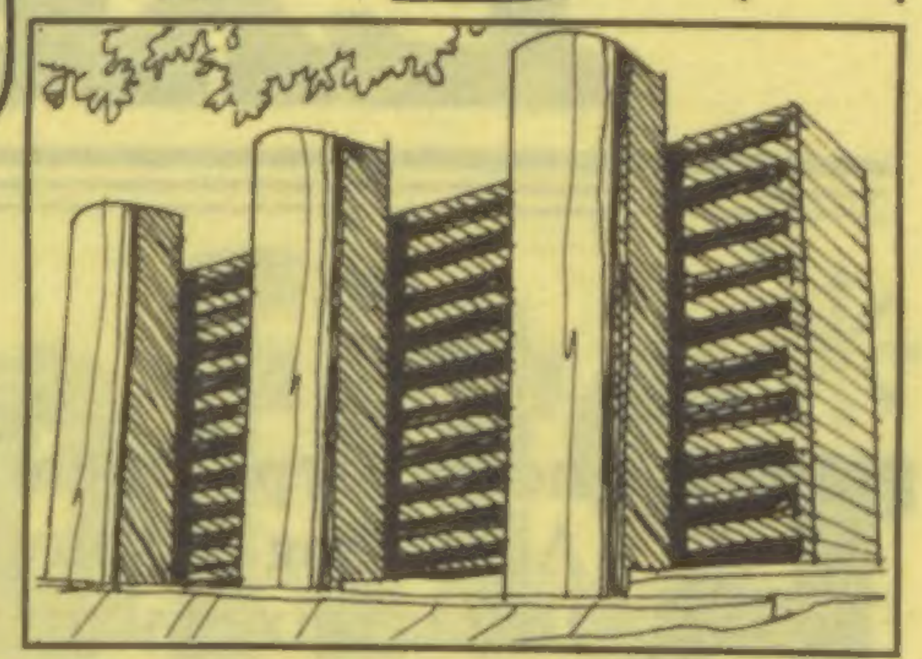
July
1980

automotive executive

Published for America's automobile and truck dealers

Profits Flying the Coop?

NADA COMMENTARY



Things have to change

Historians will label 1980 the year the automotive industry changed drastically. It will also be known as the year that launched a markedly different decade.

Two basic changes have sent shockwaves across the country:

- Fuel costs are considerably higher.
- The driving public now is ready to sacrifice comfort for economy.

The industry has been adjusting, even reeling, but there are bright signs.

Americans, and consumers worldwide, still want individual, personal transportation. The automobile is still the preferred transportation mode of millions of people, and will continue to be the majority's choice for decades to come. Over the rest of this century, for the forseeable future, the automobile and truck will be real fixtures and vital components of the economy.

But basic changes in the industry must be noted, studied and respected by all of us. Higher fuel costs and the willingness of motorists to drive smaller vehicles are facts we can easily see.

But other aspects of what has happened have to be considered too. For one thing, the sudden change in consumer patterns left new car and truck dealers holding on to the all-too-real mistakes in the manufacturers' market projections. Gyrations of the financial market—high interest rates and tight money—hit dealers hardest and first. Slow sales forced domestic manufacturers to reduce production, but the costs of massive wholesale inventories were the problems of the dealers. Dealers—not manufacturers—paid the $200 million monthly cost of maintaining automotive inventories.

During another time in history when cars were cheaper and interest rates were low, the burden of maintaining inventories was less of an issue. Now that cars commonly cost five digits and interest rates are double-digited, there must be a basic rethinking of who pays the costs of wholesale inventories. NADA has squarely confronted manufacturers with that problem and demands answers—and help.

Dealers defend domestic manufacturers against critics who say "Detroit erred" in failing to move more aggressively toward small car production. Only a seer could have predicted the swift change in demands.

The Japanese had long specialized in smaller vehicles for reasons owing to their culture, the land itself, and the fact that they import 100 percent of their petroleum. When demand abruptly switched toward smaller, more fuel-efficient cars, the Japanese manufacturers reaped the windfall.

American manufacturers were quick to respond. But redesigning intricate automobiles and retooling massive factories are not overnight jobs. Months and years of leadtime are necessary. And curtailing the production of large cars was a big decision that could be made only after the trend toward smaller vehicles was clearly established. Then came factory shutdowns and unemployed auto workers.

The dealer was caught in the middle.

The new year was still young when dealer closings and slow sales had already cost the automotive retail industry 100,000 jobs.

NADA leveled some short-term demands at both the government and the manufacturers, aimed at immediately relieving the pressure, and it has gotten some results. But more important are the long-range changes that have been proposed.

As NADA has informed the country's consumers, 1980 models are 52 percent more fuel efficient than the majority of cars on the road. Why not, it has asked the government, initiate a tax incentive for buyers of fuel efficient cars as part of the nation's energy conservation effort?

NADA asked the factories to think about an historic switch. To cope with heavy dealer inventories, NADA suggested manufacturers assume part of the burden. Specifically, NADA suggested that dealers pay the first 12 percent of floorplans. The factories would pay the rest. This would protect small business people from wide, upward swings in money costs, and shift the risk to big business, which has far greater reserves.

The dealers' appeal to both their factories and to the government underscored and reinforced the importance of unity. Because of dealers' long history of involvement—as demonstrated by Dealers Election Action Committee and the NADA Industry Relations efforts—dealers were heard in all quarters.

That unity may have kept the crisis of 1980 from becoming the calamity of the decade. A strong, unified dealer body used its brains and muscles to save itself.

(continued page 46)

Executive Notes

Energy Department tries to spur Gasohol. According to a proposed DOE rule, gasoline that is mixed with alcohol to make gasohol would receive liberalized treatment under federal allocation and price controls, and could possibly be freed of controls altogether.

Federal regulations control the distribution and price of gasoline, and that control affects the availability of gasohol, which utilizes unleaded gas. Unleaded, according to some gasohol producers and dealers, is in aggravatingly short supply.

The DOE rule is intended to remedy the situation, and it could take one of two forms. One option would decontrol that portion of U.S. gasoline production used to make gasohol. The other, while less sweeping than decontrol, also would make it easier for gasohol producers to obtain unleaded. Under this proposal, 10 regional Energy Dept. officials would assign guaranteed amounts of gasoline to gasohol producers who meet certain requirements.

* * *

AMC and GM 1980 profit outlook dim. American Motors Corp., a company that last had a deficit in the quarter ending Sept. 30, 1976, says it expects a loss for its third fiscal quarter this year ending June 30, and also for the entire fiscal year.

Gerald C. Meyers, chairman and chief executive officer, blames the problem on "credit controls and the general economic downturn," and he says the company will immediately initiate cost reduction measures to minimize the impact of declining vehicle production.

General Motors says its own hopes for avoiding its first full-year deficit in nearly *60 years* depends on a strengthening of the new car market in the fourth quarter.

But GM does say that if new car sales show even the moderate fourth quarter upturn that company chairman Thomas A. Murphy and some analysts expect, GM will be able to schedule exceptionally strong and profitable production in that period.

GM also says it will, over the next four years, spend $40 billion on plant and equipment world-wide, compared with a previous $38 billion, five-year forecast.

* * *

Fraser denied board seat. At the recent annual General Motors Corp. shareholders meeting, Douglas A. Fraser, president of the United Auto Workers Union, received a nomination from the floor for a seat on the company board. GM Chairman Murphy protested that the election would create a conflict of interest, and he said it would probably be illegal because the union chief was just elected a Chrysler Corp. director.

The nominating shareholder refused to withdraw the name from consideration and the shareholders voted on it, and the vote was more than 99 percent *against*.

* * *

The FTC sez. The Federal Trade Commission's program summary budget justification, submitted to the Congress for fiscal 1981, contained the following thinking regarding transportation:

"Representing a significant percentage of the Gross National Product, the transportation sector is a major user of energy resources. Waste due to avoidable anti-competitive conditions in this sector may take a high toll in energy and consumer costs. One key area for study is the *highly concentrated automobile manufacturing industry.* (Our italics.) Another is the regulated commercial carriage area, including the motor freight, railroad, and intercity bus industries. Others are the non-automotive transportation equipment industries and the several service industries that support transportation or provide unregulated transportation. The long-range goal is to insure that competitive conditions prevail and that consumers benefit thereby. *In concentrated industries, the goal can be achieved by identifying the restraints on competition and seeking to eliminate them wherever appropriate.* In industries excessively regulated, the goal is to reduce or eliminate unnecessary regulation or to reform regulation to allow better performance. The Commission will also continue to study a number of major transportation equipment industries, and examine the causes of high prices and unreasonable profits, increasing concentration, and lack of technological innovation in some of these industries. The Commission will continue investigations of significant mergers in the transportation equipment industry, and *will direct its attention to the overall structure, conduct, and performance of the automobile and other major industries, in order to ascertain the causes of any competitive problems that such industries may experience.* Such industries have a major impact on the nation's economy and have not been fully analyzed in recent years. The goal of this part of the transportation is to insure that in all transportation equipment industries, the optimal combination of adequate supply, competitively determined price, technological progress, and efficiency will provide products of the greatest possible quality and variety at the lowest possible price."

To many, those words may not sound very encouraging. AE

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ON THE HILL

Congress agrees on authorization bill for FTC. Modified legislative veto provision included.

A top priority legislative issue for NADA over the past few years has been the passage of a provision allowing for the legislative veto of FTC rules and regulations. Enactment of such a provision would help reestablish the Congress as our nation's lawmaker.

Over the course of the debate on this issue, the House of Representatives has strongly supported the concept of a legislative veto. The Senate, on the other hand, has consistently balked at the idea. The disagreement between the two houses over the veto has been so intense that the FTC has gone without a regular authorization-appropriations funding measure since 1976.

Finally, in May of this year, following months of debate, a House-Senate Conference Committee agreed on an authorizations bill for the FTC which included a modified legislative veto provision.

The Conferees went into the Conference with the House supporting a legislative veto provision which stated that if a concurrent resolution disapproving an FTC rule or regulation was adopted within 90 days after submission to the Congress, the rule could not go into effect. Alternatively, the House bill provided that if one house passed a concurrent resolution of disapproval within 60 days and the other house failed to act within 30 days, the rule would also be void. This procedure was commonly referred to as a one-house veto and was strongly supported by NADA.

The Senate bill allowed for a veto of an FTC rule only after both houses passed a bill disapproving of the rule and it was signed by the President.

As a compromise, the Conferees agreed to a two-house veto which does not require the President's signature. Additionally, a resolution of disapproval is subject to an expedited procedures motion whereby a Congressional Committee can be discharged from further consideration of a veto resolution after 75 days if it has not acted to report the resolution.

On another issue of importance to NADA, the Conferees deleted the used car provision of the Senate bill which expressly prohibited the mandating of inspections and warranties in connection with the sale of used cars. In its stead, they adopted the following Conference Report language:

> *"While the Conferees agree that the substance of the Senate amendment provided a correct statement of the limitations on the Commission's authority in this area, they believe it is unnecessary to restate existing law."*

The preceding Conference Report language conforms directly with NADA's long-held position that existing law prohibits the FTC from mandating inspection of and warranties for used cars. Æ

This is one of a series of monthly columns dealing with legislative issues of concern to franchised new car and truck dealers. It is intended to provide a brief summary of those actions either already taken by the Congress or currently pending which will impact on your business.

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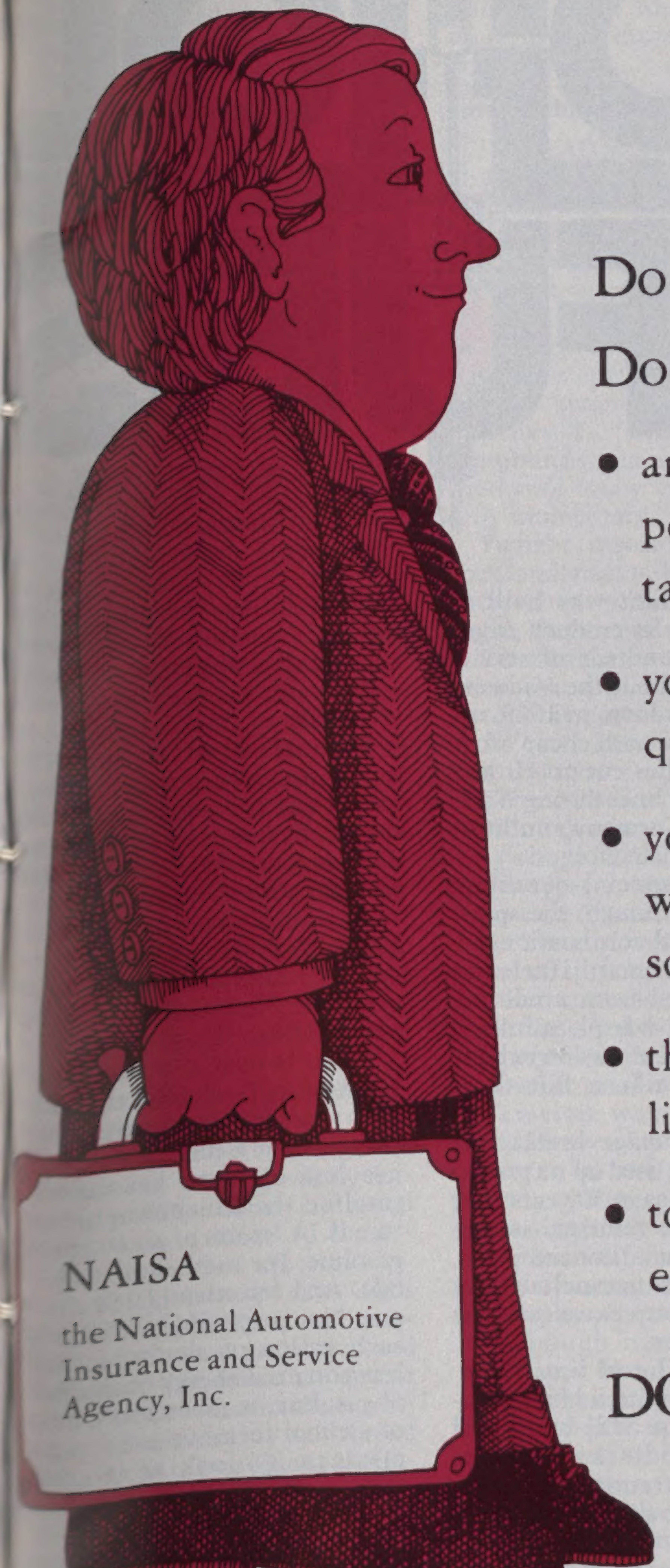

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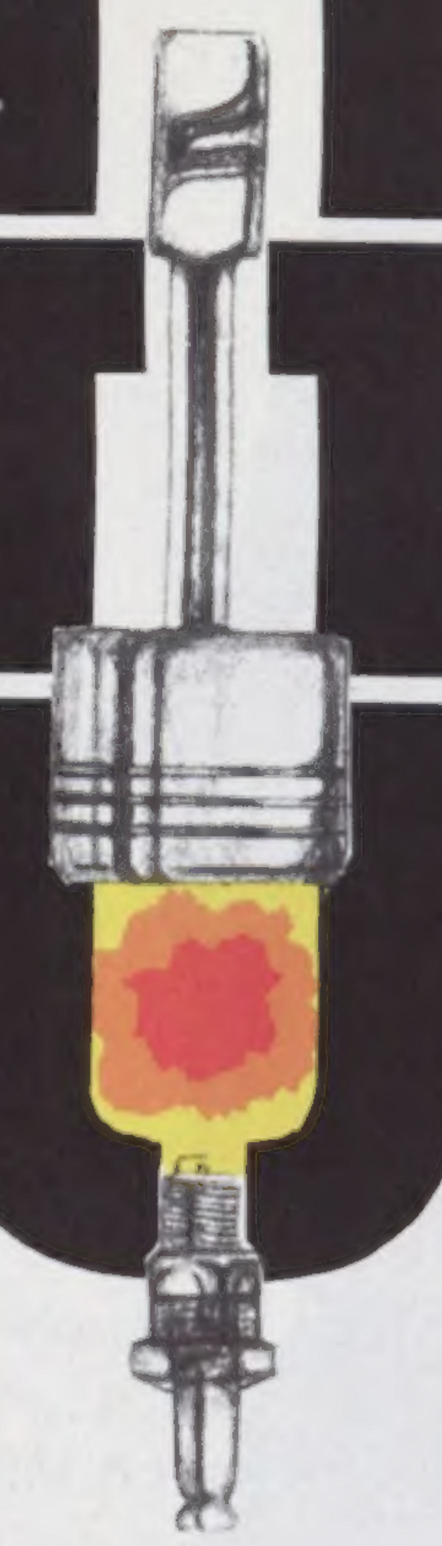
ALCOHOL FUELS



In the midst of America's energy shortage, almost everyone realizes this country is vulnerable. What we all seem unable to agree on is, how to "fix" the situation. Some people hail the "industry" of conservation, and others seem unable to talk about anything other than shale or alcohol or coal.

The dealers of NADA basically believe we need everything, including American oil, but they believe America needs, more than that, to start doing. We have all been talking too long. The following article should give us all a little better understanding of one of the options that begs to be utilized.

We hear a lot about alcohol these days. Depending on whom you talk to, alcohol:

a. Will solve our fuel shortage.
b. Will provide partial relief.
c. Won't work in a car.
d. Is practical because you get more energy out of a gallon of alcohol than it takes to produce it.
e. Is impractical because it takes more energy to produce a gallon of alcohol than you get back in return.

What can you believe? Does alcohol have a role in our future? If so, what is that role? How hard is it to make a car run on alcohol?

To find out, I have spent the last few weeks talking to many scientists and experts in alcohol-fuel production, and to people who are running cars on straight alcohol or gasohol (a 90/10 blend—nine parts gas to one part alcohol). I even drove an unmarked New York City police car that's been running on pure alcohol for the past six months.

Here's what I found.

It's been used before

Back in 1895, Nikolaus Otto, the recognized father of the four-stroke-cycle internal-combustion engine, recommended alcohol as a fuel.

After World War I, France used a 50/50 mixture of gasoline and alcohol in all government cars for a while. During the Depression, many Midwestern farmers used home-brewed alcohol to power farm tractors. In the mid-'30s, an alcohol-fuel plant was built in Atchison, Kan. Its product, Argol, was sold in hundreds of service stations throughout the Midwest. The plant shut down in 1939, unable to compete with cheap oil.

When the allies cut off Hitler's gasoline supply lines during World War II, all of Germany's military vehicles ran on alcohol.

Except for special occasions such as these, though, the spark-ignited internal-combustion engine has been primarily fueled by gasoline derived from crude oil. When crude oil was plentiful and inexpensive, there was no need to look farther for fuel. But those days are past.

At current usage levels, the world will have used up its proven crude-oil supplies in 30 years. The most optimistic number, assuming no growth in oil consumption, is 75 years—but that includes our estimated resources as well as proven resources.

That's not a lot of time to develop alternative liquid fuels. (Experts agree these will be needed until, in the distant future, surface-transportation needs may be satisfied with vehicles powered by something other than liquid fuel.)

Right now, the alternative liquid fuel we know most about producing is alcohol. There are literally hundreds of forms of alcohol, most or all of them combustible. But for various economic and technological reasons, only two alcohols are attractive as liquid fuels—methanol and ethanol (sometimes referred to as methyl alcohol and ethyl alcohol).

Let's take a closer look at these two fuels.

Both are clear liquids. They smell much alike. Both have a much higher octane number than common pump gasoline. And both can operate over a wider range of air/fuel ratios than gas.

A gallon of alcohol can't match a gallon of gasoline in heat energy. A gallon of methanol has 56,560 Btu; ethanol, 75,760 Btu; gasoline, 115,400 Btu.

When burned at a stoichiometric mixture (basically, the air/fuel ratio that liberates maximum heat energy from a fuel), alcohol fuels use less air than gasoline. For gasoline the stoichiometric mixture is 14.7 parts of air to one part gasoline. For methanol it's 6.4 to one. And for ethanol it's nine to one. Not surprisingly, then, since each gallon of alcohol contains less potential energy than a gallon of gasoline, it takes more gallons of alcohol to move a car a given distance. To look at it another way, fuel consumption increases with alcohol.

"The bottom line is about a 50 percent decrease in miles per gallon with pure methanol compared to miles per gallon with gasoline," says Joseph Bidwell, executive director of General Motors Research Laboratory.

With ethanol, fuel economy is better. In Brazil, where 730 test vehicles running on pure ethanol

the past six years have accumulated more than 15.5 million ...meters in road tests, fuel consumption has increased only 10 to ...rcent, says Dr. Luis Pemen... a chemist with Brazil's Institute of Technology in Sao Paulo.

...w about emissions?

...an engine were recalibrated ...ither methanol or ethanol, ...carbon and NO_x emissions ...ld be lower than with ...line," says GM's Bidwell. ...rbon monoxide emissions ...d be about the same. Unregulated emissions, though, primarily aldehydes, would increase considerably."

Pimental concurs with Bid... "We are directing additional ...arch toward controlling and ...ring aldehyde emissions," ...Pimental.

...ny experts believe a catalytic ...erter will decrease aldehyde ...ions adequately if they are ...mined to be hazardous. Two ...believe this are professors W. Harris and R. R. Davison of ...as A&M University. They ...accumulated 55,000 miles on ...Mazda Mizer and a Datsun ...kup—both powered by pure ...thanol. Harris and Davison say ...have tried a catalytic converter and it eliminated the aldehyde ...ions. The converter was not ...ally designed, but merely one ... a conventional gasoline-...d car.

...e problem with alcohol is ...it is more corrosive than ...line. To use pure alcohol in a ...entional car, "specially formulated plastic, rubber, and metal ...would have to be de...ed for the fuel system to re... chemical attack," says GM's ...dwell. "While these modifica... for corrosion protection and ... engine performance appear ...ble for new cars in the future, ...ying cars already on the road ...'t seem to be a practical solu...n."

Two other problems: Because ...hol doesn't vaporize as easily ...asoline, it can be difficult or ...ssible to start an engine in ... weather using pure alcohol. ... when used as a blend—part ...ohol, part gasoline—alcohol ...separate from the gasoline ...se separation) if a small ...unt of water is present in the ...tank. This can happen in the car's gasoline tank, or in the storage tank at the gas station that sells the blend. Methanol is more prone to both these problems than is ethanol.

Solving the problems

Texas A&M professors Harris and Davison have solved the hard-starting-when-cold problem by converting the Mizer and Datsun pickups to dual-fuel vehicles; they start on gasoline, then switch to methanol. They've found it necessary to start on gasoline when the engine is cold and the ambient temperature is below 50 degrees F. "There is some stumbling when we switch over to methanol," says Harris. "But it's only momentary."

To fight corrosion they replaced the standard zinc-lined gas tank in each vehicle with a stainless steel tank. The rest of the fuel-system components are stock. "There has been some pitting of standard pot-metal parts in the fuel system," says Harris. "It's not serious, though."

Gene Masci is the director of motor transport for New York City's huge fleet of police vehicles. For the past several months he has been experimenting with alcohol fuels. His goal is to keep the police fleet rolling in the event of a gasoline cutback.

He has tried both ethanol and methanol blended with gas. With a methanol-gasoline blend, phase separation was a problem he couldn't overcome. With ethanol, however, he was able to blend as much as 20 percent ethanol with gas without any engine modifications and still get acceptable engine performance, he reports. He had no phase-separation problems.

Although methanol did not work as a blend because of the phase separation, he has found that it works quite well as a straight fuel. Since June 1979, he has been running a 225-cubic-inch six-cylinder Plymouth on pure methanol. Parts used to modify the car cost $400. They include a different carb, electric grid between carb and intake manifold (to help vaporize the methanol), an air pump (for emissions purposes), and a multispark device to replace the ignition's electronic control unit and ballast resistor. Used on some racing engines, the multispark device provides a series of sparks to the plug, instead of one, for better combustion of the methanol, which doesn't burn as easily as gasoline.

Specs for ethanol-fueled 1979 Ford Fiesta

Primary fuel	ORIGINAL Unleaded gasoline	MODIFIED Ethyl alcohol*
Bore	3.188	3.000
Stroke	3.056	3.056
Displacement (cu. in./cc)	97.6/1600	86.4/1416
Compression ratio	8.6:1	12.5:1
Cam timing (degrees)		
Intake: open	29 (BTDC)	16
closed	63 (ABDC)	54
Exhaust: open	71 (BBDC)	54
closed	21 (ATDC)	16
Static ignition timing (degrees)	12 (BTDC)	6

*180 proof (90% ethyl alcohol: 10% water) or 200-proof ethyl alcohol. Other ratios may also be tried.

Fiesta was modified to run on ethanol by ADM (Cedar Rapids, Iowa), a major maker of ethanol fuel.

Mileage has dropped considerably with methanol. EPA mileage testing of the stock engine tuned to specs produced nearly 15 mpg with gasoline, Masci says. With methanol, EPA testing showed 7.5 mpg. "Almost a 50 percent loss," he says. "So you're talking about a car with about half the range using the standard gas tank, which we are using. But police cars don't go that far patrolling their precincts."

What about hard starting? "So far, no problem," Masci reports. "But we haven't had real cold weather yet [this was in November '79]. I anticipate there will be some difficulties starting in cold weather."

Starting procedure is different, though, from that for a gasoline engine. The best technique, Masci says, is to turn the key on and let the electric grid warm up for about 30 seconds or so. And then turn the key to crank. "For about the first five minutes, performance is poor. After that, when the engine is warm, performance is great."

I drove the car for a few miles one morning after the engine was warm. It accelerated cleanly. There was no stumbling or hesitation, either under full or partial acceleration.

Corrosion, commonly associated with methanol, so far has not been a problem. In June 1979, when the methanol police car began running, Masci also filled a gas tank, removed from another car, with methanol. So far, the tank, sealed shut with tape and sitting in the police garage, has not corroded on the inside. Various

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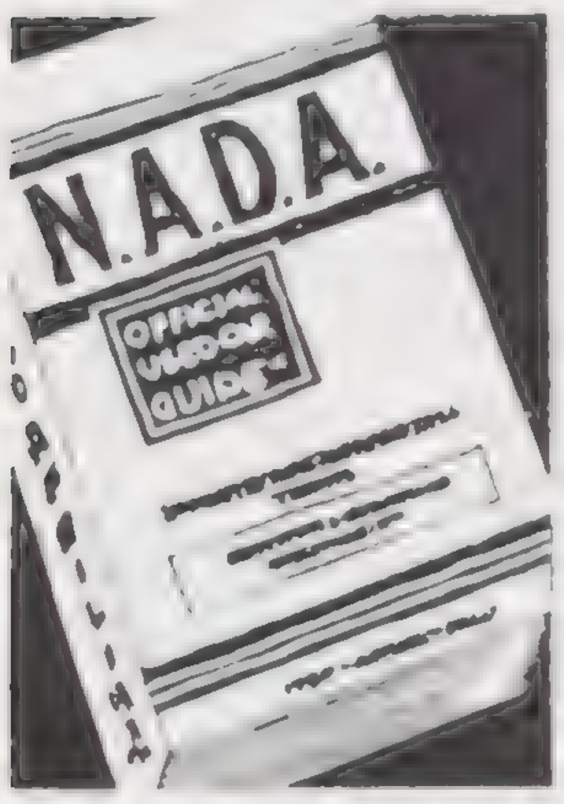
USED CARS

Countering Inertia



There is considerable legitimate concern about the short-term outlook for the automobile business, and I share this concern for a number of reasons. The first is, of course, selfish in that I earn my living in what one might call an auto-related field. The second reason is much more general. I feel strongly about the domestic automobile business and our national interest. This is not to be interpreted as opposition to imported cars or imported anything; it is rather concern for the economic structure of these United States. I think it is safe to say our economy is, to a very large degree, based upon the automobile industry, and I see no shift away from this position in the near term. Consequently, NADA and other industry groups are working closely with the Congress and other areas of government in search of some reasonable way of addressing the problem the U.S. auto industry faces.

In the *Washington Post* of May 20, there were two "letters to the editor" expressing thoughts on two possible approaches to stimulating the sale of new cars. Let us put the issue in even simpler terms: the sale of *domestic* cars, which are not, in the public's opinion, fuel efficient. This is a matter which could stand a little fresh air, meaning fuel economy. Some of these so-called "gas guzzlers" just don't fall into that category anymore. Unfortunately, it is my feeling the buying public simply isn't getting the word in this regard. (At this point you might wonder . . . what does this have to do with used cars? Well, the basic source of supply for used cars is the sale of new cars, and when new car sales are down, the used cars generally share the same level.)

One of the *Post* letters mentioned a tax credit on the purchase of a new car . . . again, one must assume the new car would be of the type which is not now selling well . . . a domestic, "larger" car. The other suggestion was to step up the scrappage rate. The writer was a bit unclear and one supposes the cars to be scrapped would be paid for by someone at some time.

I am not sure how increasing the rate of scrappage would improve new car sales. Those persons currently driving cars which would "qualify" for scrappage are probably not new car buyers. Also, a program which would reward scrapping a car would tend to invite abuse . . . how would such a program be monitored and how would it be enforced? The tax credit proposal is a bit too far-reaching for me to comment on . . . I am not that fiscally sophisticated . . . but I am for almost anything which might help get our industry off dead center.

I am certain there are idea-development sessions taking place all over the country. It is one thing to get a moving economy back up to speed, but it is quite another to get a stalled economy moving at all—the inertia is considerable. Of course, there is little doubt the high cost of money has cooled consumer spending. At the height of the prime madness, I was always annoyed by the TV business commentators who would intone nightly, "Well, the prime was up again today and there is no end in sight." Some of these gentlemen sounded as if they were delighted. But the point which *irritated* me was the effect on the consumer who, hearing about the prime rate and then being told over and over again how the prime applies only to the best corporate borrowers, had to wonder: where did that leave Joe Citizen? If GE had to pay 20 percent to borrow money, how much would Mr. Everyman have to pay, assuming he could borrow money at all?

Now, the prime is moving down, money market notes are down considerably, so is it not a natural reaction for a potential buyer to think . . . interest rates will go down even lower if I just wait . . . and a point or two means real money on a major purchase? I mentioned early that after you go beyond the APR, I am a babe in the woods insofar as high-level financial management is concerned, but let us hope those who presumably understand these matters are taking whatever steps are required to alleviate the industry's dangerous cash-flow condition.

We all know there are two distinct types of buyers, and this is true regardless of the product or

The Used Car column is prepared exclusively for **automotive executive** *by James H. "Harry" Lawrence, editor of the NADA Official Used Car Guide. All comments or questions pertaining to these columns should be mailed to: "Used Cars,"* **automotive executive** *magazine, 8400 Westpark Dr., McLean, VA 22102.*

...e. There are those who have ...need: they *must* have a car or ...ver. They are the ones who ...ing to buy—no question, ... than what and from whom. ... the guy with whom you ... a "deal." The other ...mer—and this type is the ... the *want* buyer. He can do ...out. What he now has is still ...viding adequate service and he ...he customer who must be sold. ... can only "deal" with him ...you have sold him. It is in this ... where I believe we have much ...m for improvement. This is the ...ket in which you employ in...ry and plain hard work.

..., the guide book business is ..., and maybe we will end the ...r at a point below 1979 . . . ... no one would be critical. But, ... is business out there and I ...w it. We never had to go after it ...ore—we did some promot...—but mostly things just fell ...y. Well, in our case, they are ...lling so neatly anymore, so I, ... staff, are going to go out ... hustle. No, I'm not going to ... what we are going to do . . . ... also have competitors . . . but ... going to give it a shot, a ... shot.

A neighbor's daughter just turned 16 and she was ... the family second car, an old .... The neighbor is now shop... for a new or a newer car. He ... upon an EPA of 17 as good ... he is not necessarily hung up ... make or model. He has a good ... and credit is no problem. He ...een looking for a week or so. ...you know what he tells me? ...y, I guess the car business is ... bad as I have read . . . I've ... to X number of dealers and no ... has made any real effort to sell ... a car." This man is not a ...ler and I am sure he will buy a ... or 1980 model in the next few ... . . but, he'll *buy* it; I sus... no one will *sell* it to him.

...alize I tend to stay on this ... of a positive approach to ... but I feel one cannot em... it too much. Money is ... borrow, but there are *some* ... who don't have to borrow ...ho can do it without any help. ...re are people, like my ...bor, who are mature and rea...ble and who can be sold a car on its merits. Many years ago, I met a man who was running a major metropolitan dealership. He had started in the business in the finance section but he saw a better future from the sales end. He made a deal with his boss . . . on his own time, evenings and weekends . . . he would attempt to sell cars and he would not infringe upon the regular sales force. He became quite successful, even though the method he took was ridiculed by others. He took a demo and he knocked on doors and his approach was straight-forward: "I'd like to sell you a new ______ and I have one parked at the curb. Would you let me give you a demonstration ride?" He was a bit older than I and I daresay he is now retired . . . comfortably so.

I have mentioned a certain quote before. The man who said it perhaps does not appeal to me in some ways, but I did like this: "Some people think you're finished when you lose. You are finished only when you quit. Never quit. Never. Never. Never." Richard M. Nixon, December 1978. Æ

(continued from page 9)
fuel-system components have been placed in jars filled with methanol, and these too have yet to show any significant signs of corrosion. Undoubtedly the fact that the gas tank and jars are sealed has played some role in the results. But fuel systems of modern cars are pretty much sealed from outside air, too.

"For my purposes," he says, "even if corrosion were to cause me to replace a tank every two years, I could live with that."

(At press time Masci had installed an ether-injection system in the car. He reports that this solved the cold-start problem, even in below-freezing temperatures. The system is a commercially available unit used to start diesel engines. A temperature sensor causes ether to be injected directly into the intake manifold during cold startups. When the engine is warm it is started normally.)

VW's methanol experiments

There is quite a contrast between Masci's practical, low-cost type of experimentation and Volkswagen's massive approach. Under a $1.5 million contract with the West German Ministry for Research and Technology, VW has accumulated over 800,000 miles on 45 VW's fueled by an 85/15 blend of gasoline and methanol. Methanol was chosen because it can be produced from a variety of sources, such as coal, wood, grain, and garbage, say VW spokesmen.

Minor carburetor adjustments and replacements of methanol-sensitive carb floats, fuel filters, and seals with metal parts were the primary changes to the stock automobiles. Hydrocarbon, carbon monoxide, and nitrous oxide emissions have been reduced significantly, VW says. Fuel consumption is said to have been reduced about five percent, because the gasoline-methanol blend burns more efficiently than straight gasoline.

Phase separation was a major problem at the onset of the testing. But this has reportedly been solved by adding some isopropanol to the gasoline-methanol mixture.

Six cars were tested near the Arctic Circle using the gasoline-methanol mixture. No problems with cold startup or phase separation were encountered as long as some isopropanol was present in the blend.

Although VW engineers agree that significant changes would have to be made to an internal-combustion engine designed from the ground up to burn pure methanol, they believe such changes could be made without major difficulties.

Other auto makers are also testing alcohol fuels—and not just in the labs. Ford, GM, Fiat, and VW are heavily involved with developing ethanol-powered cars for Brazil. This year, fleets of these vehicles will be sold to the Brazilian government. And soon after, the makers hope to begin selling ethanol-powered cars directly to the consumer. The Brazilian government hopes to gradually replace all gasoline consumption with alcohol.

The engines in the cars sold in Brazil will be designed to take maximum advantage of burning ethanol. "Compression ratios will be around 12:1, compared to an average of 8:1 for gasoline engines," Dr. Pimental says.

Although testing so far with ethanol has produced a fuel-consumption increase, more power is extracted from an engine, Pimental says, because of ethanol's high octane rating. "Under identical rotation and volumetric-displacement conditions, experiments at maximum power show that the ethanol engine can achieve about 20 percent more power than its gasoline counterpart," he says. "Even at minimum-consumption conditions, it is still six percent more powerful."

What about hard cold starting? "At temperatures below 59 degrees F, Pimental reports, "the cold ethanol engine has difficulty in starting because of the low vapor pressure of alcohol at those temperatures. So a cold-starting system needs to be added. One type we are using is an electric device that vaporizes a small amount of the ethanol. This has proven satisfactory, even in temperatures as low as 14 degrees F."

Brazil began adding five percent ethanol (made from sugar cane) to gasoline back in 1931, and in later years increased the amount. "This was strictly for economic reasons," Pimental says. "We wanted to provide a larger market for our sugar industry because of declining prices and increasingly inaccessible export markets. But now the situation has turned around something else. We're using more and more foreign oil. In 1940, 13.1 percent of our total energy needs was supplied from petroleum. In 1977 that figure had increased to 41.7 percent. Increasingly high petroleum prices, the decreasing world supply of petroleum, and the possibility of embargos and other problems have led us to the decision to turn to ethanol as a substitute for dependence on foreign oil."

Brazil's gasoline consumption for this year is estimated to be 17 billion liters. Brazil's present yearly ethanol production is 1.7 billion liters. By 1985, the government hopes Brazil's ethanol production capabilities will have increased to something in the neighborhood of 10.7 billion liters.

The primary sources for ethanol in Brazil are, and probably will be, sugar cane and a plant called manioc. Brazil has an immense growing area, of which only a small proportion is currently used. Because of the long growing season and relatively mild climate and the fact that Brazil has only about one-tenth as many vehicles as the U.S., switching to ethanol as a replacement for gasoline may be feasible there.

But is it practical in the United States? Can sufficient quantities of alcohol fuels be produced here to ease or eliminate our dependence on crude oil? And can they be produced and transported economically? The technology is no good if it's too expensive.

To answer these and other questions, the National Alcohol Fuels Commission, created by Congress, began functioning on June 27, 1979.

"Our key people," says Senator Birch Bayh, chairman of the commission, "are scientists and people who have done work in alcohol-fuel development before—engineers, chemists, and others. We will fund original research, conduct hearings, make literature searches, synthesize current knowledge in the field, and so on. In short, our job is to obtain the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best information we can, then extrapolate from that concrete recommendations for Congress."

Dr. Edward Bentz, Jr., director of the commission, had this to say about alcohol fuels.

"Ethanol currently has a couple of advantages. One, for every three percent of ethanol you add to the gasoline mixture, you get roughly an octane increase of one. That's a lot, because if your car is knocking and pinging—as many new cars using unleaded gasoline are—ethanol can eliminate the problem by raising the octane.

"Another benefit that's not as well known is that, in many cases in the U.S. today, our refineries are pretty much at their limits in terms of capacity. And when they have to make unleaded fuel without using a chemical additive like MMT—because it's environmentally banned—they have to work harder at the refinery level to get that equivalent octane rating for the yield of gasoline that they want coming out. That puts a slight capacity penalty on the refinery. Now, if you can add ethanol to gasoline—in the form of gasohol—you get that octane boost at the tank rather than at the refinery."

The attractive thing about alcohol fuels, says Bentz, is that methanol can be produced from wood, a renewable resource. It can also be produced from coal. Coal, of course, is not renewable. But we have vast reserves of it (see box on page 16). Ethanol can be produced from several renewable resources, such as grain and crop wastes (cornstalks, for example). It can also be produced from materials that have cellulose in them (such as organic garbage).

Critics' arguments

But this brings up one crucial question, one in which there is much controversy. Does it take more energy to produce a gallon of alcohol than you get back?

Critics of gasohol say it does, that the natural gas and oil used to fire the boilers of the distilleries that produce 200-proof ethanol for gasohol could be put to better uses. Dr. James Kendrick, an agricultural economist from the University of Nebraska, says it takes in the neighborhood of 130,000 Btu to produce a gallon of ethanol that he values at abour 84,000 Btu. Other critics cite similar figures. "It's kind of like a businessman who spends $10 to make $5," one told me.

In addition, critics argue, ethanol is more expensive to produce than gasoline. In the U.S., a gallon of ethanol costs between $1.50 and $1.75 a gallon. Gasoline is not yet that expensive. Gasohol (which uses 10 percent alcohol) competes with gasoline only because of a government subsidy that reduces motor-fuel taxes on gasohol. These decreased tax revenues must be made up elsewhere, or else result in reduced government services, they argue.

"It's probably true," says Lane Harold, a professional engineer and key researcher at the commission, "that today we're probably spending just as much or more energy to distill ethanol from grain as we get out of it. But that's because the plants currently making ethanol were originally set up as beverage-alcohol plants.

"They were originally designed to produce high-quality taste and high-purity drinking alcohol—not 200-proof alcohol to burn as a fuel. A lot of the older plants were built at a time when energy was cheap. It was sometimes better to save capital than it was to save energy."

Extensive review

But it doesn't have to be that way, Harold, Bentz, and others at the fuels commission point out. The commission was, at press time, just finishing a vast alcohol-fuels study—"the most extensive and important study of its kind yet done, we feel," says Bentz. It looks at ethanol and methanol fuels produced by various current technologies and estimates the energy pluses and minuses in various ways.

For example, the study calculates how many Btu of liquid-petroleum fuels will be made available for each gallon of corn-derived ethanol produced. An exact number wasn't available as we wrote this, but the commission was confident that the number would be positive, that several thousand Btu of liquid-petroleum fuels would be saved for each gallon of corn-derived ethanol produced.

In arriving at this number, however, a couple of important assumptions are made. One, that a modern, highly efficient, 50-million-gallon per year coal-fired distillery is used to make the ethanol (currently there are no coal-fired distilleries in America, although the technology is there to build them); two, that the fuel is used as a blend, not as a straight fuel.

The study also looks at ethanol derived from cellulose. Cellulose is found in a lot of materials, most notably garbage—of which we have plenty. Many people in the U.S. are working on making ethanol from cellulose. Among the leading technologies are the Gulf Process, now being used by George Emmert at the University of Arkansas; the Tsao Process, used by George Tsao at Purdue University; and the Natick Process, being used by Leo Spano in Natick, Mass.

Using the Gulf Process, the study estimates how many Btu of liquid-petroleum fuels would be freed for every gallon of ethanol made. Again, the study assumes the ethanol would be used in a 90/10 blend. Preliminary data indicate that several thousand Btu of liquid-petroleum fuels would be freed using this process.

The study looks at methanol too, but not as a blended fuel for automobile engines. "That's because, at present, we're not sure that the phase-separation problem can be solved without an additive that could be too expensive. This doesn't at all, however, rule out the possibility that methanol may indeed become either part of a blend or used as a straight fuel," Bentz says. Savings in natural gas, from which most methane is made, are expected to be considerable.

No panacea, but a part

What does the future hold for alcohol fuels? Nobody knows for sure, of course. But many experts feel that alcohol fuels will play some role. Perhaps the Alcohol Fuels Commission's Harold summed up many of their feelings best. "We aren't suggesting that alcohol fuels are a panacea for our country's future energy needs. They take their place among a whole field of alternative-energy possibilities. No one can say now

what the percentage of contribution of each one will be.

"Several of the other processes are much more unproven than ethanol and methanol. So we really don't know how good they're going to be, relative to their capital investment, pollution, and so on," Harold says. "Ethanol, which is being used today, can take a large chunk of the action in five years. We can be making quite a bit of it by then. Methanol can come on stream in five to 10 years." Æ

Supply of U.S. domestic coal reserves (in years)
(Assuming total energy demanded supplied by coal*)

Item	No. of years' supply at growth rate			
	0%	1%	3%	5%
Proven reserves: 970 billion bbl. petroleum equivalent	73	55	38	31
Ultimate resources: 13,400 billion bbl. petroleum equivalent	1008	242	116	81

*1978 base-year consumption = 13.3 billion barrels petroleum equivalent

Supply of U.S. domestic petroleum (in years)
(Assuming only petroleum demand satisfied*)

Item	No. of years' supply at growth rate			
	0%	1%	3%	5%
Proven reserves: 29 billion barrels	4.5	4.4	4.2	4.1
Estimated resources: 91 billion barrels	14.0	13.2	11.8	10.7

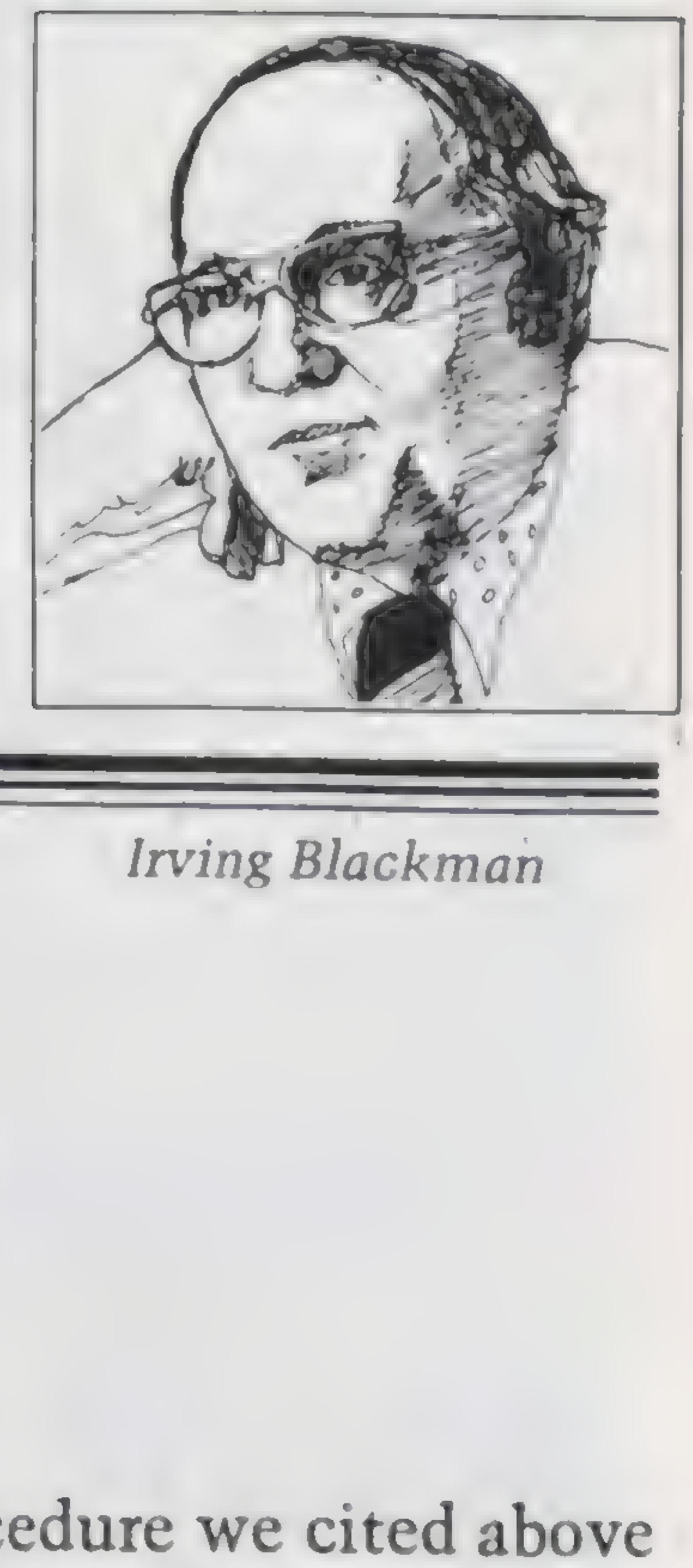
*1978 base-year consumption = 6.46 billion barrels

Supply of world petroleum (in years)
(Assuming only petroleum demand satisfied*)

Item	No. of years' supply at growth rate			
	0%	1%	3%	5%
Proven reserves: 642 billion barrels	27	24	20	17
Estimated resources: 1800 billion barrels	75	56	39	31

*1978 base-year consumption = 24.1 billion barrels

TAX BRAKES



Irving Blackman

Inventory Law Has Changed

Do you report your inventory correctly? Come now, you know what I mean—*inventory*—counting all the new cars, the used cars, the repair parts, and every other item you sell to customers. The figures relating to it on your tax return should be about the same amount you would pay to repurchase that inventory on the last day of your taxable year. But if you report less than that "right" number, you have lots of company. So what's new?

What's new is a Supreme Court case (*Thor Power Tool Co.*), an IRS ruling (Revenue Ruling 80-60), and an IRS procedure (Revenue Procedure 80-5). The days of yesteryear—when business, the financial community and sometimes even the IRS would wink at inventory write-downs—are dead and buried.

We are entering into a new era: honest inventories for tax purposes. Even if you are unaffected because you are part of the majority that reports inventories properly on your tax returns or because inventories are not required in your business—for example, you lease vehicles), the subject matter will have a profound impact on some of your competitors and suppliers.

It has been (and still is today) good accounting practice to write down slow-moving goods, goods in "excess" of current demand, to a net realizable value. With a magnificent subjective rule like that, many automobile dealers exercised "great" management wisdom, increasing cash flow by allowing their creative inventory pricing juices to flow. The result—reduced inventory and reduced taxes, all with the blessings of the noble *generally accepted accounting principles* which are called GAAP by the accounting profession. The IRS did not attack GAAP in the *Thor* case; it simply said GAAP has no application to inventory tax reporting, and it said the IRS alone has broad discretion to determine if the taxpayer's inventory method "clearly reflects income." The court gave a unanimous thumbs-up to the IRS, stating that inventory written down "on the basis of a well-educated guess" . . . allowed a taxpayer "to determine how much tax it wanted to pay for a given year."

"The days when . . . even the IRS would wink at inventory write-downs—are dead and buried."

Predictably, the IRS has embraced the *Thor* decision. And the revenue procedure we cited above spells out a rather gracious IRS offer to all taxpayers who have been following the "excess inventory road." The offer is a sort of velvet-glove, hammer-in-hand type of thing. Simply put, it is an offer you cannot refuse. Why? Well, the procedure draws to its conclusion by telling you that a taxpayer who "files a federal income tax return that does not use a 'prescribed method' of inventory valuation will have filed a return not in accordance with the law."

It seems clear enough. The IRS is setting up non-conformists for a negligence penalty or, possibly, even a fraud penalty. If you have any doubts about the intent of the IRS, consider this: a new series of questions were added to the 1979 corporation tax return that ask you to detail any inventory method that is not a prescribed method. Nice choice. Turn yourself in, or make a false statement on your tax return.

Let's take a closer look at Revenue Procedure 80-5. It truly tries to ease the pain of getting off of the *excess inventory write-down method.* You can elect to treat the change of method as either a change (1) not initiated by the taxpayer (Method 1) or

These columns are prepared by Blackman, Kallick & Co., certified public accountants, under the watchful eye of Irving Blackman. Blackman, also an attorney and author of Winning The Tax Game, *consults with businessmen around the country on the subject of taxes and profitability. Questions concerning these columns should be addressed to Blackman, Kallick & Co., 180 N. LaSalle St., Chicago, IL 60601.*

(2) initiated by the taxpayer (Method 2). The selection of the right method can save a considerable tax bundle. The methods are summarized below:

Method 1

(a) Pick up all the additional income in the year of change [Section 481(a)], or

(b) Utilize a special three-year averaging computation that might reduce the tax due in (a) [Section 481(b)].

Method 2

(a) Spread the additional income equally over the number of years you were using the excess method, but not over more than 10 years. For example, if you get charged for $100,000 in additional income because of the change in 1980, you could pick up only $10,000 this year (you have used the excess method for 12 years) and $10,000 each year for the next 9 years.

(b) There are a number of complex exceptions dealing with (1) in what taxable year the additional income adjustment actually occurred, (2) a switch to LIFO, and (3) ceasing business.

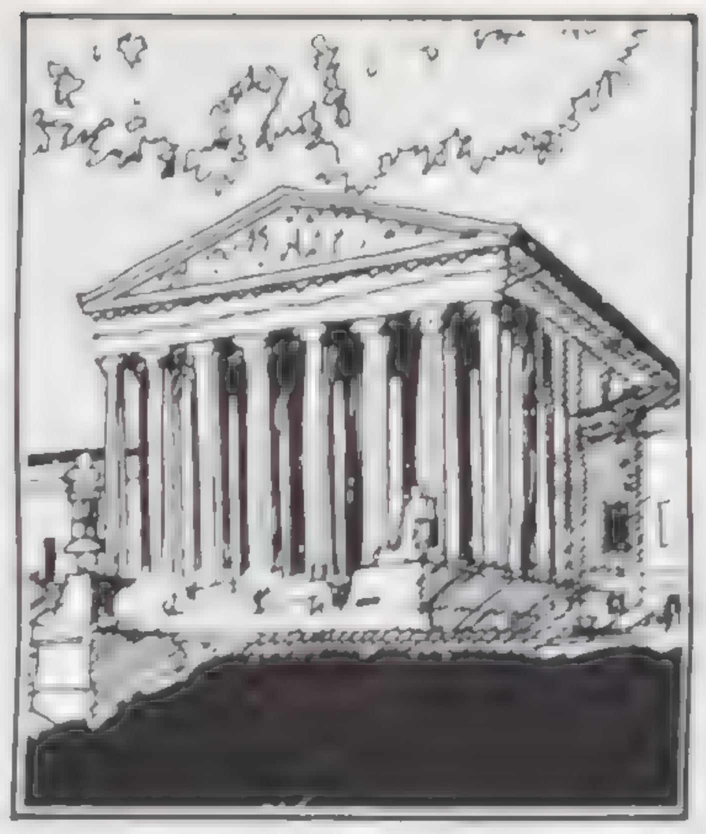
How is the election made? You must file Form 3115 for the first taxable year (and switch to a prescribed method in that year) that ends after December 25, 1979. That means if your year ended on December 31, 1979, you are covered by the procedure. Nonsensical timing by the IRS. The procedure and ruling were issued on March 10, 1980. Only five days later (March 15, 1980), your December 31, 1979 corporate tax return was due. The IRS (probably stricken by pangs of conscience) has granted special permission to file an amended return not later than the 15th day of the 9th month after your year-end. For example, September 15, 1980 if your year ended December 31, 1979.

The interaction between the new rules discussed in this article, the economy, the cost of money and the immediate or future tax impact in dollars make this "excess inventory" problem not only complex to the point of obscenity but critical, as a matter of survival for some dealers. On April 8, 1980, the IRS issued a news release (IR 80-48) containing eight amendments to Revenue Procedure 80-5 and it listed four common errors being made on #3115 forms filed under the procedure. More is sure to come. What if you were not guilty of the excess inventory method, but instead, just plain-old guessed at your inventory, regularly lost inventory count sheets or the like? Can you take advantage of Revenue Procedure 80-5? As of this moment, the answer, based on the language of the procedure, is *No*.

The message is clear—if the inventory shoe in this article fits you must take some positive actions. Doing nothing will cost you dearly. Proper tax planning is a must and, in most cases, will eliminate or substantially alleviate the immediate tax cost.

One bit of advice. This is one task that is not a do-it-yourself kit. Seek out the best professional tax help you can find. Consult . . . think through your options . . . then act. Æ

LEGAL BRIEFS



The Auto Industry And The Law

FTC tentatively adopts a revised used car rule

On May 16, 1980, the Federal Trade Commission "tentatively" adopted a revised, optional-inspection Used Car Rule which, when promulgated, would require a "Buyers Guide" sticker on every used car offered for sale to a consumer by a dealer in the U.S. The revised rule was adopted subject to a 60-day technical comment period.

As to the applicability of the revised rule, the phrase "Used Car Rule" proves to be somewhat of a misnomer, for the rule would apply to sales of used motorized vehicles, other than motorcycles, with a gross vehicle weight rating (GVWR) of less than 8,500 pounds, a curb weight less than 6,000 pounds and a frontal area less than 46 square feet. Several, if not all, sales of light-duty used trucks will, therefore, be subject to the revised rule.

The term "used vehicle" is defined in the rule as any vehicle driven more than the limited use necessary in moving or road testing a new vehicle prior to delivery to a consumer, but does not include any vehicle sold only for scrap or parts.

Under the revised Used Car Rule, the "Buyers Guide" sticker contains a list of fourteen automotive systems, such as frame and body, engine, electrical system and the like, for which the dealer must check one of the following: "OK", "Not OK" or "We Don't Know".

The "We Don't Know" option in the revised rule can give a dealer an option whether or not to inspect the vehicle. If the dealer chooses to inspect, the dealer may use his own inspection procedure, provided the procedure produces the same results as the Commission's inspection procedure. If a system passes inspection completely, the dealer may mark the system "OK" on the "Buyers Guide". If the system does *not* pass inspection and the dealer chooses not to repair the system, the dealer must mark the system "Not OK", and, under such circumstances, the dealer cannot mark the system "We Don't Know". Finally, if the dealer chooses to inspect and believes that a system is "OK", but does not wish to certify condition to the consumer, the dealer may mark the system "We Don't Know".

In addition, the revised rule prohibits statements that take away from or contradict the window form. It is intended by the Commission that dealers who check the "We Don't Know" option will be dissuaded from making oral assurances to consumers that the systems are in good condition.

Prior FTC proposals to require assertion of odometer accuracy and disclosure of prior vehicle use—taxicabs, fleet use or whatever—have been deleted, under the revised rule. With deletion of prior use disclosure, the requirement for dealer-to-dealer disclosure has been, likewise, abandoned.

Further, rather than have separate forms for states which ban "AS IS" sales (Kansas, Maryland, Massachusetts, Mississippi and West Virginia), the revised rule permits the dealer in such states to delete the provisions of the sticker pertaining to "AS IS" sales.

While the revised rule represents a substantial improvement and

This column is prepared by the Legal Group of the National Automobile Dealers Association. For further information or questions concerning the items appearing in this column, write: Legal Briefs, NADA Legal Group, 8400 Westpark Dr., McLean, VA 22102.

clearly is preferred to the Commission's original proposed rule and prior revisions, the revised rule is unacceptable in its present form.

NADA intends to actively present the views and interests of every franchised new car and truck dealer on this issue, examining every judicial, as well as legislative course of action.

Dealers denied relief under Trade Act of 1974

Three recent petitions by franchised dealers to the United States Department of Labor for Worker Adjustment Assistance under the Trade Act of 1974 have been denied certification. Other dealer petitions now pending with DOL will almost certainly be denied. The Act provides in part for assistance to workers whose jobs are lost due to competition from a similarly produced import item.

The Department of Labor has denied dealer petitions because dealers do not produce any article within the meaning of Section 222(3) of the Act [19 U.S.C. §2273(3)] Thus, their petitions may be certified only if worker separations were caused primarily due to a reduced demand for their services from some parent firm. Since no franchised dealer is a subsidiary of its manufacturer, employees of dealers are not entitled to benefits similar to those available to employees of General Motors, Ford, Chrysler or AMC. Dealers are involved in sales and service of automobiles, neither of which are covered activities under this statute.

There is currently a bill in Congress which *does* propose some changes to the Act and would extend coverage to related activities such as material transportation and manufacture of component parts. The bill, H.R. 1543, sponsored by Rep. Charles A. Vanik (D-Ohio), has passed the House and has been reported out by the Senate Finance Committee. The Committee has changed the language of Section 222(3) to read:

". . .that increases of imports of articles like or directly competitive with articles—

(A) Which are produced by such workers' firm or appropriate subdivision thereof, or

(B) to which such workers' firm or appropriate subdivision thereof *provides essential parts or essential services,* contributed importantly to such total or partial separation, or threat thereof, and to such decline in sales or production, or threat thereof." (emphasis added)

But even if the bill were to pass in its present form, it is doubtful that this change would include automobile dealers within its scope. The "essential parts or essential services" described above are those parts or services used in manufacturing the article. Component parts such as automobile bumpers would now be covered under this bill where they were not included previously.

Reader asks:

A dealer from New York asks: There were no seatbelts in the light-duty truck that my used truck manager took in trade. I guess the original owner had removed the belts. Was I wrong to take the truck? Is there any law that requires a dealer to reinstall seatbelts?

There is no federal requirement that a dealer reinstall seatbelts if someone else has removed them. There is a federal motor vehicle safety standard (Number 208) that requires seatbelt installation in NEW *light-duty trucks. Also, the Motor Vehicle Safety Act, Section 108,* prohibits dealers *from removing from used vehicles items that are federally required to be on new vehicles. This means that an individual owner will not incur a penalty if he removes a seatbelt, but a dealer can incur a penalty for removing seatbelts himself.*

While it is not wrong for a dealer to take trucks like this in trade, NADA recommends that dealers be cautious when vehicles are missing seatbelts. It is suggested that dealers obtain a signed statement from customers acknowledging that it was the customer who removed the belts and not the dealer. If the belts were removed before the customer purchased the vehicle, then the customer can simply acknowledge that neither the customer nor the dealer had knowledge of how or when the seatbelts were removed.

Dealers should also check to be sure that their state laws do not require the presence of seatbelts on resale. Æ

Two dealers talk about: The Big 8

You've seen them. Those headlines in local papers telling us, "Supermobile Dealer Calls It Quits," or "Dealer X Closes Doors," or "Out of Business at ABC Motors." The names, of course, are ficticious, but the events they herald are all too real. During a recent three-month period, more than 300 franchised new car dealers folded up shop voluntarily or otherwise.

The villains singled out in such news stories usually are high interest rates, lack of consumer financing, the energy situation, or simply the nation's declining economy as a whole. In reality, what it all boils down to is these dealers just didn't have enough money to keep doing business and ride out the hard times.

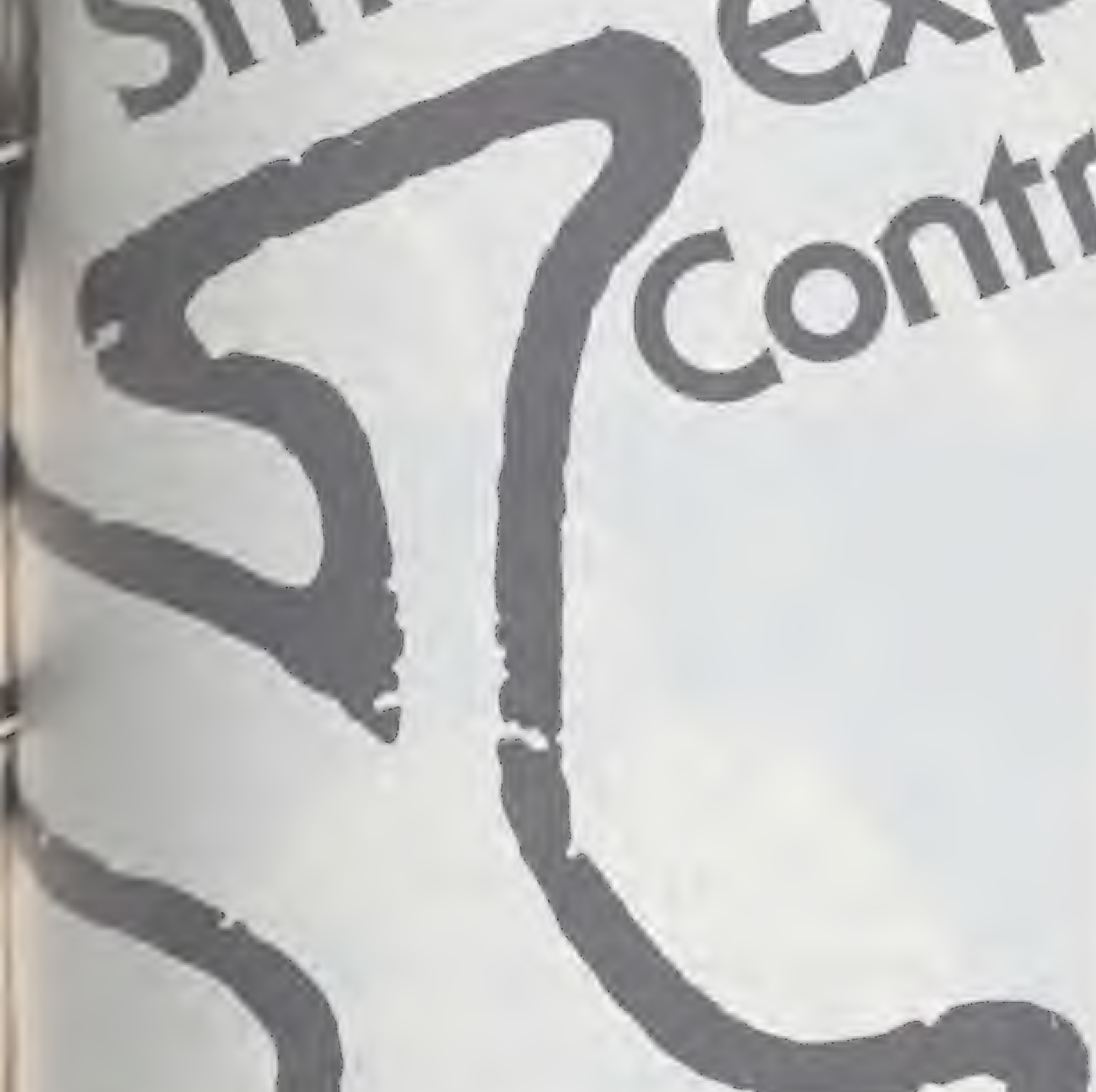
Why is it some dealers can continue to operate—even if at a reduced pace—in a tough economic climate, while others in similar situations are going belly-up? **Automotive executive** recently talked with a number of dealers who admit things are pretty slow right now, but who have no doubt they will weather the storm and still be here when the turnaround finally comes. Without exception, they all shared several common traits: they are closely involved with their dealership's day-to-day operations; they have a good, solid, workable system for maintaining adequate cash flow; and they keep a tight rein on expenses.

OK, you say, there's certainly nothing new or startling in those actions. The business textbooks have been preaching such virtues for decades. The big difference, AE found, was the solid dealers with a long-term business life expectancy actually *do* them, while those on the brink of failure or already gone, don't.

Typical of the *doers* with which AE recently talked are Wes Pickens of J. W. Pickens Olds-Cadillac-Datsun in the small South Carolina town of Orangeburg, and Neal Pope of Neal Pope Ford in Atlanta, Ga. Pickens' store carries a combined planning potential of 575 new units for his three franchises, while Pope's large metro dealership has a planning volume of 2,300. Spotlighted together, Pickens and Pope illustrate that smart cash flow management and expense controls are key ingredients to success no matter which end of the sales volume spectrum you're on.

Both dealers indicated they

Small of Expense Control



...k proper cash flow and expense controls primarily are a ... of attitude that begins with ... dealer and is transmitted to ... employee in the dealership. ... and Pope spoke frequently of "teamwork" and "communication." Neither felt they are doing anything dramatically different since the economic downturn, although Pickens said he just recently felt it necessary to begin making a few changes here and there.

"January of this year turned out to be a pretty good month for us," Pickens said, "but since that time there's been a steady decline in sales. So we're really just making changes now that we think will help."

One reason Pickens said his dealership didn't feel the squeeze until about six months after many others did was because of the addition of his import franchise last year.

"We took on Datsun last March . . . so up until March of this year, we were operating with an extra boost we didn't have before and that made the figures look better than they did previously. Now, since this March, we have figures we can compare and we can see a decline. Datsun is still a good help for us, but even with that franchise we're still feeling a slight downturn."

When his new car inventory began to climb noticeably in February, Pickens sat down with his managers and began setting maximum stock levels. Unfortunately, he said, patterns changed so quickly, he found himself in the same situation so many other dealers have had to face.

"We had already done some ordering we couldn't back up on," Pickens explained, "so in April we started to exceed the levels I wanted to carry. Of course, interest rates kept climbing and I was caught in a cycle I couldn't get out of."

What moves did Pickens make to help remedy the problem?

"Basically, we've cut down on any orders unless we think they will be fast-moving items," he answered. "If we can get those fast-movers, we'll take them, but we only keep enough of the rest in

stock to meet our needs calculated by how many we've sold over the previous three-month period. I'm trying to limit my inventories to 45 days."

The exception to this procedure, Pickens said, is in the case of a special customer order.

"We'll order anything for a customer—even a slow-mover—*providing* we have a deposit and are pretty sure of the deal," he stressed. "And the stranger the item becomes, the more assurance we want that we *do* have a deal."

Pickens hesitated when asked if he thought sales contests are important because the most obvious way to reduce new car inventory is to sell it off. He said his dealership does sponsor what he calls "little in-house specialty deals" to help stimulate sales of slower moving models, but he indicated factory contests had not proved particularly successful at his store. Part of the problem, he said, is because his is a multi-line dealership and the differing programs from the various manufacturers tend to create confusion for the sales force and even management.

"Another thing about factory contests," Pickens continued, "is they seldom really hit what *we* need to do. Each car line tries to do what *it* needs to do on a national basis, but that's not necessarily what is effective for us in our market."

Turning to the used car side of the house, the South Carolina dealer said his used car manager was doing a good job in making sure a unit doesn't stay on the lot for more than about 45 days.

"Sure, it seems you always have a couple of used units that you've made an exception on and they might hang around longer than you'd like," he admitted, "but we've narrowed that down to a very small percentage of the total."

Pickens said his company generally prefers to sell off the "over-45-day" cars to wholesalers who come to the dealership, rather than take the vehicles to auction.

"We try to get to the auction on a bi-weekly basis just to see what's going on in the marketplace," he continued, "and, if we have a unit that's giving us a particular problem, we might run it through the lane to get a handle on it. But, by and large, we sell to the wholesalers who come by the store."

Does Pickens try to encourage his new car buyers to sell their trade-ins privately if he suspects the car might be difficult to turn over?

"Only if it's really an unusual piece that's not franchised in our market area," he said. ". . . If there's not much demand for a particular make or model around here, or if we're just not familiar with it, our tendency will be to rate it a little lower just to hedge. People with a car like that usually bought it because they thought it was something special, so the gap is even wider apart."

In the parts department, Pickens said his people are no longer ordering "specialty" parts unless there is a definite request for them.

"Anyone who has a special order must put up a deposit that will cover the discount on the part plus what it'll cost us to ship it back," he explained. "It may seem like a hard way to go, but if the guy wants it bad enough, he won't mind because the deposit is taken off the total price when he gets it. If he doesn't come back for it, at least we can break even on the deal."

Pickens went on to explain he recently had outside help come in and do a complete inventory on what he considered his "scrap" parts inventory. The tabulation was sent to General Motors where it was computerized and returned to the dealership.

"We just did that in the last 30 days," he said, "to help pick up a little extra cash and also to determine what was junk and what wasn't."

One very big reason Wes Pickens said he feels dealership expenses are being held to a minimum is because every employee knows he personally keeps close tabs on the way company money is being spent. He signs every check himself, reviews all purchase orders and even looks over all petty cash vouchers.

As an example of how tightly he watches expenditures, Pickens cited an instance you might refer to as the "case of the missing soap".

"About a year or so ago," he related, "we found the amount of soap being used in the clean-up department was escalating. Exactly what was happening to it, I don't know, but we put controls on the way it was distributed and it came back into line . . .

"This is a small dealership and I can stay on top of all the figures. If I can tell when soap gets out of line, I can also keep track of the bigger items."

Pickens also mentioned the time he was involved in a running discussion for two months about whether the business office should use carbon paper or buy a more expensive paper that would make copies without the carbon.

"Actually, the expense wasn't that great," he admitted, "but it let the office people know that I knew

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the difference in what they were buying . . . . I think you have to keep that knowledge in your employee's mind all the time. I do it to try to make an employee think just as hard before spending the dealership's money as he would before spending his own. Things like this may make your employees think you're tight-fisted, but if it helps in the end to save their jobs, then I think they'll appreciate it.

"Naturally, I don't want my people to cut off the purchase of things if that cutback will make the business suffer, but I want them to make *sure* a purchase is going to help make dollars for us rather than just be a luxury that, at times like these, we can't afford."

With an outlook such as this on expendables, it stands to reason Wes Pickens is just as vitally interested in *receivables.* He readily admitted it, reached to the side of his desk and picked up a sheaf of papers.

"The big thing I can tell you about my accounts receivable," he laughed, holding the papers aloft, "is that I keep them here by my right hand! I personally work on any account that gets to the problem stage, say 60 to 90 days old. We have a collection agency deal, but I've learned if I call these accounts up myself I can find out whether we're in a complaint area or just that the other fellow is having problems . . . . I know this may not be practical for a dealer with a large store, but it has brought amazing results for me."

Pickens said five out of ten problem accounts had been collected within a 30-day period through his personal involvement and he was expecting three others to be cleared up within a matter of days.

"Now I'm going back to all the accounts that were charged off last year and start to work on them," he said.

Pickens also said he was considering a program that would halt the addition of any new open charge accounts and would limit existing accounts to 30-day terms. "I'm thinking about eliminating them (charge accounts) altogether," he added.

Bank credit cards are another matter, though. Pickens said it would be false economy to try to save by cutting out credit card fees.

"Our average repair order is in the $25 range," he explained, "and since I'm only charged 3.5 percent in credit card fees here, we're talking about something like 89 cents. I don't think we can beat that price when you consider what it would cost in terms of postage, my office girl's time, keeping the books, and the materials we would have to use. It just wouldn't be worth it."

One area where the investment of effort and money *is* worth it, according to Pickens, is his practice of seeking out extra money in the dealership and using it to alleviate the high interest burden on his new cars.

"We regularly look at our checking account . . . and see if we have any excess dollars to put down on our floor plan," he said. "We want to use any extra cash on this 20 percent plan because we think that's as good a return as we're going to find."

How does he feel about recent programs initiated by his manufacturers that supposedly aim to help the dealer with floor-plan troubles? It's immediately apparent he isn't overly impressed by them.

"I haven't found that programs offered by the manufacturers actually give dealers any more than what they already had," he said with a shake of his head. "About all they do is give dealers another option they might use to spend their money. As far as giving us something we didn't have before, well, I just can't find it.

"NADA has followed up and said, 'This is what they (the factories) have offered you, and this is what it works out to be,' but it seems to me the manufacturers would spell it all out in a true open way for someone it's a business partner with . . . . It's too bad you have to hear it from NADA or have some other dealer explain it to you. Why can't the factories just come right out and say something like,'We expect the floor plan is going to drop to a certain percentage and we're going to recoup that by taking away your 2 percent at the end, but here's how much you're going to have to do to make the change worth your while?' What difference does it make?"

Says Atlanta dealer Neal Pope: "We've worked hard for 10 years to be sure we kept our company financially sound. Now it's paying off."

Over in Atlanta—the South's largest city—Neal Pope indicated he shares many of the beliefs expressed by Pickens. Perhaps that's because he thinks controlling funds is pretty much the same no matter how large your business may be.

"I don't think expense controls are much different for small dealers than they are for large ones," Pope said. "I'd be doing the same things I'm doing right now if I had a small store. The only difference would be I'd have more time to look at individual things rather than working through my managers."

The major factor Pope stressed

...h flow mangement and ex- ...control is *consistency.* He ...believes that the dealership ...practices solid programs ... good times won't have to ...when things get tough.

...ve been a dealer for 10 years," ...d, "and I've been selling cars ... years. I've been around long ...h to know there are going to ... and downs in this busi- ... . but there are too many ... who just don't put enough ...sis on profit centers other ...w car sales when times are ... Then, when times are hard, ...tart trying to beef up other ... to take up some of the slack, ... then it's usually too late.

...e thing that has kept us in ...hape in these kinds of times ...ve *always* treated every de- ...nt as a real profit center. It ...ff. It makes you a lot more ...ble in good times and it pro- ... your profitability in bad ... Since we've been in this ...car slow-down period, we ...found our strong used car ...s has been beneficial, and ...strong in parts and service ... been very beneficial."

...said dealers in his area who ...xperiencing severe problems ...an usually trace their trou- ...irectly to a lack of cash.

...ve worked hard for 10 years ...ure we kept our company fi- ...ially sound," said Pope. ...it's paying off. We have kept ...h money in the business to ...art of the new car inventory, ...this has kept our floor-plan ...down. So, you see, we're re- ...ot doing anything different ...from what we've been doing ...he last 10 years—except ... less money, and that's be- ... the new car department ... been able to provide its ... of the income."

...tinuing on about his new ...artment, Pope said he was ... toward a 45-day supply, ...dmitted he may have to con- ... a 30-day inventory depend- ... what the market does in the ...future.

... he been caught with an ...pply of new cars, as most ... around the country have? ... you always do, in certain ... he said. "The markets ... and you end up with things ...re moving pretty good, but ...owed down. We're a little heavy with . . . vans right now. Our van sales slowed up faster than we could react to them. There's always something you've got to put your focus on."

The key to successfully adjusting, Pope explained, is to have a system that enables you to put this "focus" in the right spot at the right time. To him, such a system is provided by the dealership's financial statement.

"A dealer really needs to analyze his financial statement very closely every month and do a real good inventory availability study," he said. "NADA recently sent out a bulletin that included an availability and inventory analysis form. We've been using one very similar to it for years. It's a valuable tool because it helps you spot the slow-movers."

Even though Pope's large dealership has a computer system that supplies inventory information, he prefers to have his managers do availability studies by hand.

"I want the managers to do this by hand because I want them physically involved in putting these numbers together. They break it down by each model and each car every month. For example, we'll look at Mustangs and then we'll look at each model in the Mustang line. We track the monthly sales of each model and then look at the three-month averages and the 12-month averages of that particular model car. This way we know we aren't ordering something we've got too many of, or something that's just not moving . . . ."

Pope suggested dealers pay close attention to the guide numbers manufacturers supply on financial statements that compare performances of similar dealers.

"NADA 20 Groups provide the same thing," he added. "They give you guide numbers of what dealers in your particular group are doing and also what those numbers *should* be. I think it's very important to analyze each one of your areas this way."

Almost as if on cue, Pope's phone rang. It was a long-distance call from another dealer requesting information.

"That's ironic," he said, after hanging up. "This is just what that dealer was calling about. He asked me to send him a copy of my financial statement with everything cut off except the percentages so he could compare and see the areas where he was off on expenses and grosses. I think all dealers—large or small—should watch those numbers. I've always said if you can be average on every number, you'll make money."

Turning to specific areas of his dealership, Pope reiterated he was not doing anything new—simply continuing on with the proven practices that have brought him success in the past.

"We still shoot for used cars that will turn over within 30 days," he said, "I think everybody does that. But our hard and fast rule on used units is that they just *can't* be on the lot over 60 days. Of course, with get-ready and things such as that, you can't always get them on the lot as quickly as you'd like to, so sometimes we bend that a little. We keep a close eye on used cars that aren't moving and put bonuses on them at 45 days. Then we wholesale them off after 60 days."

Pope stressed that it is extremely important for the used car and new car managers to work closely together in the area of trade-ins. "Many times," he said, "a buyer is found for a trade-in before the new car deal is actually completed."

"The used car market is good in this area," he said. "It's making us profitable and always has, but we really have to stay on top of the mix now because we've had so many transitions from big to small to intermediate and so forth."

The Atlanta Ford dealer said he has little or no problem with things that tend to plague many other auto retailers. This is true because he watches transactions closely, heads off trouble before it starts and pays his people on a "net" basis wherever possible.

"We have," he said as an example, "no problem with employee honesty, because we've been using the polygraph program for a long time. All our new employees are polygraphed and most of our older ones have been, too."

Any trouble with parts inventories? No, again.

"Our parts inventory has always come out right because we use an outside company that comes in

(continued on page 37)

REC VEE REPORT

Gus Chiarello

Work That Business

I'm sure you'll all be glad to hear, "the worst of the recession is now behind us." So say the pundits in Washington. Unfortunately, this good news has been too long in coming for many RV dealers. To those of you who have been spared once more, I hope you've all learned the lesson well: there is no question, there will be good times and there will be bad times in your future. Just as the squirrel stores his acorns in the summer in preparation for the cold "fruitless" days of winter, so should you.

The future offers many opportunities for profit to the dealer who is sensitive to his individual market and to the tastes of prospective buyers. But you'll not be afforded the luxury of sitting on your hands and not making changes in your operation. *Flexibility* will be the key to success and you'd better be "savvy" enough to recognize when and how to make those changes.

It is not surprising to me that the dealers who have a positive attitude today also had that same outlook when many were predicting "the end". It's the same old story. Dealers who stay directly involved with the day-to-day operation of their business and *work* that business, usually survive. Those dealers who were creative and gave the prospective buyer "a reason to buy", did a respectable business. Those dealers who beat the bushes and offered "specials" on service to their existing customers not only kept their service department busy, but turned some of the service customers into *buyers.*

It may sound like the same old story to you, but it's amazing to me how many refuse to listen to it. Simply stated, there is no mystical formula for success. It's the mundane task of putting your shoulder to the wheel and never giving up. It's being there on the firing line and living it firsthand. It's knowing that you *can do it,* where others have failed.

If you doubt my reasons for dealer success and failure, take note of the dealerships that have folded in your immediate area. It won't be too long before another dealership opens on those empty lots. What in the world must those new dealers have in mind? How can they expect to succeed where others have failed? I must confess, it never stops amazing me, but there you have it in a nutshell . . . "The American Dream". There is always someone who believes he can succeed where others have failed, and a good percentage of those "dreams" do succeed. And almost to the man, they carry with them that "mystical formula"—DESIRE.

Æ

Rec Vee Report is prepared exclusively by **automotive executive** *on a quarterly basis by Gus Chiarello, executive editor of the NADA Recreation Vehicle Appraisal Guide. All comments or questions pertaining to these columns should be mailed to: "Rec Vee Report" NADA Recreation Vehicle Appraisal Guide, P.O. Box 1407, Covina, CA 91722, c/o Gus Chiarello.*

ESTABLISH BETTER RELATIONSHIPS WITH YOUR STATE REGULATORS

by John Gill
Reprinted with permission from Association Management Magazine

One of the most aggravating, frustrating, time-consuming, and money-eating problems with which the members of Automotive Wholesalers Association, Raleigh have to contend is the problem of compliance with government regulations.

Our association is composed of dealers in automotive parts. And, like other businesses, they are subject to countless regulations. You name 'em, they've got 'em.

But, on a daily basis, it's these three particular sets of regulations with which they have to grapple most vigorously: state sales and use tax regulations; state wage-hour regulations; and OSHA regulations. (In our state, the administration and enforcement of OSHA regulations are under the jurisdiction of the North Carolina Department of Labor.)

We decided that we had to establish a good working relationship with state regulators, to make it possible for them to know us, and to earn their trust and respect. How could we do that? Without going into great detail, here are some of the rather basic steps we decided to take and which may be useful to other organizations, particularly state associations:

1. Initiate the relationship. It is up to you to request an appointment.

2. Keep the appointment, and be on time for it.

3. Do not come on strong with a king-sized display of how much you know about the regulations. Let the representative of the agency be the expert.

4. Do your homework. Be prepared, if and when the opportunity is given, to set forth the specific problems your members face as they try to comply. Always have at hand specific examples of exactly what kinds of problems certain regulations create in the business operations of your members.

5. If given an opportunity, be prepared to suggest how certain regulations might be interpreted in other ways—in ways which may make compliance somewhat easier for the members, but which are still within the spirit of the law.

6. Offer your association's help to the agency. You could provide information that could be helpful in formulating regulations. Or you might help make the members better informed about the regulations, especially those regulations that may be subject to more than one interpretation by agency representatives out in the field.

7. In this same regard (in very low key and with fine tact), suggest that the field agents be thoroughly schooled in the agency's official positions on those regulations which tend to be ambiguous.

Three handbooks for our members

We backed up our offer to help the agencies get information to our members by stating our intention of preparing handbooks containing all of the agencies' regulations that apply specifically to our members. And we now have three such handbooks on sales tax, wage-hour, and OSHA.

The OSHA regulators were willing to do the spadework on the preparation of the OSHA handbook and assume the cost of printing it. They did it all for us. Our only responsibility was the distribution of the handbook.

We prepared the sales tax and wage-hour handbooks ourselves but with total and most instructive cooperation from the regulators. Each group of regulators reviewed the material for its handbook several times and suggested revisions. After three separate reviews, the groups put their stamp of approval on the handbooks.

What we feel we accomplished

What did we accomplish by all of this? What benefits were gained?

First of all, our members were helped—they received timely and accurate information about the regulations they have to live with.

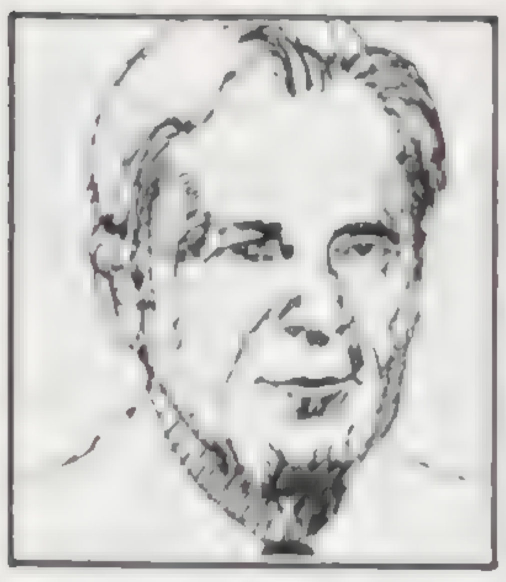
Also, as we developed the handbooks in conjunction with the regulators, the close communication we had with them was instrumental in creating a much more positive agency attitude toward our industry.

Further, the relationship which was developed opened agency doors for getting much quicker response to our frequent requests for interpretations of specific situations that develop in our members' business dealings.

Finally, we are convinced that the new atmosphere has made these agencies more aware of, and more sympathetic toward, the regulatory problems of our members.

The suggestions in this article are not brand-new, earth-shaking ideas. However, they have improved our association's relationship with the regulatory agencies. The result of this improved relationship is, of course, that our members are helped. And, after all, that is the name of the game. Æ

AUCTION BLOCK



George Basel

May 8, General Motors Corp. held its "first ever" car sale at an auction. More than 180 new 1979 vehicles originally destined for overseas distribution were offered. They all had undergone extensive retrofit of gauges and controls to conform to all Federal MVSS and EPA requirements and to make them showroom ready. Fairfield, N.J.'s *Skyline Auto Auction*, owned by Hal Bernstein and Henry Fulap, was selected as the auction house to conduct the sale. The sale was for GM dealers only. There were 200 preregistered dealers but at sale time, there must have been 400 dealers in attendance. They came from as far away as Kentucky and possibly further. The day started with a breakfast from 9 to 11 o'clock. It ended with a final count of 186 cars offered and 186 cars sold—100 percent.

Ed Sullivan, merchandising manager for General Motors, had overall responsibility for this "first" GM auction sale. Ed says he was completely satisfied with the preparation, conduct and final results of the sale.

The sale again proves the viability in using auto auctions for the disposal of large quantities of cars. I was impressed with the effort put forth to properly merchandise these cars. Could there be more GM auction sales in the future?

* * *

I recently visited Melvin Reed's 166 Auto Auction in Springfield, Mo., and I was most impressed with their IBM system 34, and especially their check-in procedure. Instead of filling out the paper work outside, the person checking the cars in calls in the description of the car to a key punch operator who simultaneously punches it into the system. This speeds up the whole process, increases the efficiency of the operation, and the operator thus can insure that all vital information is furnished such as: vehicle identification number (VIN), owner, year of car, make, series, body style, optional equipment, and color. Engine size can also be included, and engine size is definitely becoming more important since the buyers are willing to pay more for the smaller fuel-efficient engines.

* * *

Metro Auto Auction of Kansas City, Inc., held their largest Ford Motor Co. sale May 14, 1980. 450 units were offered and all were sold. The sale produced a gross of $2,309,150. This was followed by another 100 percent sale of Chrysler C.L.C. cars. *Bob Gentle*, owner of Metro, says the regular consignment selling percentages have been the best in one-and-a-half years. Bob forecasts continued strong sales if a shortage of used cars does not appear and continued prosperity in the used car business.

* * *

The Eastern Auto Auction Association held its spring meeting May 9-11 in Montreal, Canada, at the Four Seasons Hotel. This meeting, by the terms of its "by-laws," is a closed meeting (members or associate members only). Hamilton Auto Auction, located in Hamilton, Ontario and owned by Mike Lawrence was accepted into the organization. The members voted to cancel their winter meeting scheduled for January 1981. One of the main topics on the agenda was "standardization of market reports." Although no generalized format was agreed upon, the discussion did bring out a consensus that more attention should be given to producing a clearer and more uniform description of each vehicle. I wholeheartedly agree. I think some standard of abbreviation of series and body styles and optional equipment would be a good first step.

* * *

Short Notes:

Jack Charlesworth, General Manager of the Atlanta Auto Auction, is also Chairman of Georgia's State Board of Registration of Used Car Dealers. Jack advises us that the Georgia State Assembly passed a law which requires that *rental* or *leasing* companies disposing of used vehicles in Georgia must obtain a used car dealer's license through the board. Forms may be obtained by writing: Board of Registration of Used Car Dealers, 166 Pryor Street, Atlanta, Ga 30303.

* * *

Charlesworth also reports that his auction has purchased four acres of land between the site of the original facility and Buffington Road. Plans are to add a car wash facility as an additional service to Atlanta Auction customers.

AE

Auction Block is prepared exclusively for **automotive executive** *by George Basel of the NADA Official Used Car Guide. All comments or questions pertaining to these columns should be mailed to: George Basel,* **automotive executive** *magazine, 8400 Westpark Dr., McLean, VA 22102.*

(continued from page 31)
of inventories every year. Obsolescence doesn't cause us any [trou]ble either because, once again, [we u]se our guide numbers from [the] manufacturer. We always log [the] age and turnover of our parts [and] take advantage of the (manufacturer's) obsolescence pro[gra]ms."

[Wh]at about supplies?

"We watch supplies like a [haw]k," Pope laughed, "and always have. We count our own rags [and] won't leave it up to the truck [driv]er to do it. We issue out rags to [mech]anics and make them turn in [the] old rags before they get new [one]s. It's rare we ever have to re[pla]ce rags because we *control* [the]m. The same holds true for [mech]anics' chemicals and things [such] as that. We keep them [lock]ed. The dispatcher signs them [out] when they're needed."

All purchases for the dealership are made by purchase order only. Pope's managers are solely authorized to sign them, but even that practice has its limits.

"Any item not for resale that amounts to more than $25 must be approved by me," emphasized Pope. "Our sales manager can spend $10,000 for an automobile, but he can't buy a $100 calculator without my OK."

There are no headaches from accounts receivable for Pope Ford either.

"I get a report on all receivables the 10th of every month," Pope said, "and I watch them closely. We would turn over really bad accounts to a collection agency, but we don't *have* any. We won't put anything on charge except for triple-A commercial accounts. We do, however, take credit cards."

Paying his supervisors on "nets" is one way Pope assures his expense control philosophies filter down to lower-level employees.

"Most of the people here with responsibility recognize what expenses do to their incomes. We just don't pay people on gross from their operation. This way we also build teamwork within the organization. We all understand what we're trying to do and we're all working toward common goals. I think my managers are convinced the way we do things is the right way, because they were all here when we went through the 1974-75 down period and they were pleased with the way things turned out then. We try to let our people share not only in the finances, but also in the pride of what we're doing . . . We enjoy what we do and during times like we have now, we try to enjoy the challenge." Æ

THE BIG RIGS

Pat Close

We call them "king of the road", cowboys, and many other things. The imagery is enhanced by television shows showing them as roughnecks, cigar smokers and speed demons. But the fact is, what the truck owner-operator really is—more than anything—is one of the nation's endangered species. As a businessman, the owner-operator is finding it increasingly more difficult to operate a profitable business.

A recent Department of Transportation report estimates that between 250,000 and 300,000 owner-operators are in business today. A typical profile shows they usually own a $70,000 tractor and a $30,000 trailer. Their truck payments run between $800 and $1400 monthly. They purchase their own fuel, tires, maintenance, licenses, insurance and permits.

The owner-operator bears all the risks in his operation, and he has to be very resourceful. On a $40,000 cargo haul, he grosses, on the average, about $500. That equates to a great deal of work and expense for a fair return. Not coincidentally, an increasing number of O.-O.s are calling it quits. Most truck dealers have seen the owner-operator segment of their business decrease rapidly over the last five years.

Owner-operators have little or no influence in government. They are frantically looking for some sort of permanent assistance or a mechanism to help them confront the very technical and very complex array of rules and regulations they deal with every day. Transportation Secretary Goldschmidt, much to his credit, has met with owner-operators and he commissioned a special study group to look into their problems.

The group, which included owner-operators and representatives of the Depts. of Agriculture, Energy, Justice, and the Interstate Commerce Commission, reported out ten trucker issues last year which Goldschmidt drafted into a report. The report dealt with the specific plight of the owner-operator, but it noted many things the entire industry needs to address.

The truckers, in the report, attributed much of the erosion of their economic position to diesel fuel price and supply problems and they made it very clear that those concerns have done much to destabilize their businesses. They called for a uniform 80,000-pound weight law, DOT information on supplies, and possible regulation of diesel supply to discourage hoarding. The government will not likely regulate the diesel market, but officials did indicate closer monitoring will occur. DOE mentioned regular information *would* be made available to the truckers.

The second issue raised by the truckers in the report concerned the fuel surcharge being allowed by the Interstate Commerce Commission. Escalating costs have pushed diesel fuel closer to the $1.50 per gallon price level from the January, 1979 average of 63.5¢ per gallon. Right now, the ICC allows the fuel surcharge to be reflected in the freight rates, and it is a practice the truckers favor.

The truckers have called for more government information on prices, and it appears the ICC will strive to close the communication gaps. The government seems committed to providing owner-operators with protection from the fuel price increases by use of the surcharge or an equivalent system in the future, and this will help all truckers cope a little better. With review and more timely information, the program can work even better than it is.

Another issue on truckers minds concerns the problems associated with the contractual relationship between carriers and owner-operators. The truckers feel the ICC needs to better enforce the ICC rules that touch that relationship—namely the leasing rules. In the report, truckers said many O.-O.s hesitate to report problems because of fear of carrier reprisals, and the ICC agreed that stringent enforcement of existing rules should have a very high priority.

The DOT study said an "ongoing working group with appropriate owner-operator representatives should be formed," and it recommended that the group work with the Department of Transportation and the Commission to develop and refine a proposal for further modification of the leasing rules and other matters relating to trip leasing.

Overloading by shippers has generated many complaints by truckers, and in the report, the owner-operators said they normally didn't know about overloading until they were stopped and issued fines. The truckers asked that the shippers pay the fines, and the report's conclusion indicated the responsibility for loading *should* be transferred to the shippers.

This column is prepared exclusively for **automotive executive** *by Patrick R. Close, director of NADA's American Truck Dealers Division. All inquiries should be addressed to: Pat Close, director ATD, 8400 Westpark Dr., McLean, VA 22102.*

…he fifth issue addressed by the …ort looked at problems in…ed in loading and unloading. …ckers complained about …mpers", individuals forced on …s by warehouses as the *only* …wable means for handling …go. The owner-operators fa… …d most of the language con…ed in HR 753, a bill that would …e lumpers illegal, but they … a mandatory *shipper load/ …signee unload* provision in…ed.

…ose forging the report agreed …a legislative solution provided …best redress, and they invited …er-operators to participate in …ving the best language.

…he truckers contributing to the …y talked to the government …t the problems caused by the …ations in the size and weight …irements of the different …es, and they said the dif…nces in the requirements re…g to registrations, permits, re…s, and tax and fee payments are …quite a burden. They brought …he idea of a possible federal …se plate and a federal report… procedure, among other …gs.

…ith respect to permanent fed… size and weight limit legisla… the government says final …mmendations should await …outcome of the study man…d under the Surface Transpor…n Assistance Act of 1978.

…the interim, DOT supports …porary legislative measures …as the uniform truck size and …ght bill, which owner…ators are less than completely …y with.

…an attempt to resolve the …rmity problem areas such as …registration issue, the De…ment of Transportation appar…y is working toward en…ging better dialogue between …r-operator reps and represen…s of the various states.

…other point of discussion in …Goldschmidt report centered …d regulations regarding the …ok and hours of service. The …endent truckers argued that …urrent 10 hour on, eight hour …more than 70 hours in eight …cutive days rule is not rea…le. They said they also be… the log book to be an inequi… illegal and ineffective mode …forcement. As an alternative, they request 12 hours on any 24-hour day, up to a maximum of 96 hours in an eight-day period. They insisted the owner-operator and his earning power is very dependent on the amount of freight he moves and therefore needs the expanded schedule. The truckers said they would like to incorporate a verifiable time out-time in system in place of the log book, but the Bureau of Motor Carrier Safety countered that they still favor the log book overall.

With respect to regulatory reform, the report group's independent trucker representatives said they thought owner-operators were at a disadvantage under measures such as the proposed Trucking Competition and Safety Act. They said they felt the Act would result in greater concentration in the industry and the owner-operator's eventual demise.

Certain individual owner-operator reps supported some aspects of the Administration's trucking bill. The shift in the burden of proof regarding entry was

(continued on page 46)

Making the

efficient—

What should you do?

When the economy is strong, most sales volumes are up, and margins tend to be more than adequate to make a profit. With few exceptions, both the well-managed and the poorly managed company do well.

But when times get tough and the economy turns sour, almost everyone's sales volume drops and margins shrink. Then, only the well-managed, *controlled* companies continue to make a profit or at least minimize their losses. Indeed, sometimes they are the only ones able to ride out the storm.

What are some of the differences between the well-managed and the poorly run company? And what are the managers of well-run dealerships doing today to deal with the present shaky state of affairs?

Well, first of all, the "typical" owner/manager of the "typical" well-managed company we've witnessed is a goal-setter. He establishes sets of goals to help him guide his company from where it is today to where he wants it to be tomorrow. The goals he sets are *realistic.* They are well thought out and within reach of where he is today. They are *flexible.* They can be and *are* changed as the situation dictates.

The good manager does not, simply because he has set them, blindly hold to a set of goals which can no longer be realistically attained. He *reviews* the goals regularly. He does not believe they are something set once a year and then put away to be forgotten. He *does* believe they are something the staff should be completely aware of. He believes the staff should know what he expects, and what each person should be trying to accomplish.

The well-managed company has a plan which directs the *activities* of the organization towards attaining the company goals. The plan may be a set of procedures (oral or written) that instruct personnel in how to perform their duties. It may include a set of policies for guiding employees in their day-to-day activities in dealing with customers. The important thing is that the procedures are understood and followed. And the plan must be detailed enough for it to be monitored.

Any monitoring system has to be good enough to cue the owner/manager as to whether or not the organization is "on track" with the plan. The system should provide the manager with reports that are accurate and timely. They *must* be *accurate* to enable tbe manager to make the right decision with regard to the action that must be taken to get back "on track," and they must be *timely* so he can be made aware he is "off track" before it is too late to do anything about the situation.

A hypothetical example:

GOAL: Because of reduced sales, it is decided expenses have to be cut. The goal is to cut expenses 20 percent. This general goal is further broken down into sub-goals. Each major expense category is reviewed (payroll, financing, advertising, utilities, phone, etc.) and a percentage reduction is established for each so that the overall effect is an overall reduction for a specified period of 20 percent. Budgets are set up for each expense.

PLAN: Procedures and policies are established for meeting the goals. For example, a policy might be set to eliminate long distance phone calls in order to meet the sub-goal of reducing phone expenses. The procedure might be to collect the cost of the call from whomever makes a long distance call.

MONITORING: A system is set up to record expenses incurred during the month: listing each expense by expense category, reporting the total, and comparing it to the budgeted amount for the month.

The manager of the company that already has these systems set up and in operation is continually aware of how he is doing according to his plan and he reacts quickly when he notices any deviations from it. He is in control of the company.

What are some of these managers doing today to *improve* their cash flow and control expenses?

They are exercising prudent cash management by using cash flow projections to determine the timing of their cash requirements and they are keeping funds in non-interest bearing accounts to a minimum.

They are reducing their new car inventories. Before new orders are placed, they are reviewing cold, hard figures to determine as quickly as they can and *specifically* as they can what is moving

...d not moving in their particular ...rketplace. Even if the analysis ...edious to them, they realize it is ...portant. They dismiss any sub...ctive, undocumented judg...ents, including their own. They ...k not only at the models, but at ...pment, color, engines, and so ... And they have well-thought... procedures for collecting the ...rmation they need.

...ey are reducing their parts in...ories, looking hard at what ...y *really* need on hand. They ...t reordering some parts that ... called for only occasionally, ...gain, it is much easier to ...nate those items from inven... that only turn over once or ...e a year if the dealer has a re...ng system in effect that easily ...des him with the informa... he needs. Often a computer ...m can provide this informa... more economically than a ...al system, particularly when ... number of items in inventory ...ge and the number of transac... each day is high.

...lmost all the dealers I have ...ed to have drastically reduced ... One dealer, however, said he ...t reduced his staff at all, but ...ead has improved his people's ...ciency by managing them bet... He figures his efficiency has ...e from 60 percent to 80 percent ...ly because of better manage... techniques. The result is ...ing up in higher sales volume ...n constant and reduced costs, ... definitely—of course—in his ...m line.

...e dealers who *are* initiating ...reductions are of course try... restrict them to marginal ... areas, and of course they ...rying to take great care that ... cuts will come in areas where ... effect won't be noticed or ...e the task could be picked up ...omeone else.

...any dealers who *are* making ... are finding that the ...ployees staying on are able to ...dle the additional work with... adding substantially to over... This indicates that when ... are good, a certain amount ...efficiency is allowed to creep ... the system and is tolerated. ...hen times get bad, these in...ncies have to disappear. ...lly, a 10 to 20 percent cut in ...es not affect overall ser-

In addition to cutting payroll expenses by reducing staff, dealers are trimming payroll expenses by eliminating and controlling overtime and cutting back on the number of hours each person works. One dealer took the unique approach of sharing the burden of these times by asking for—and getting—everyone to take a voluntary pay cut of 15 percent.

No one likes laying people off, but when it's the life of the organization that's at stake, the sacrifice has to be made. Think hard, however, before *you* decide to limit your hours or services. Some "economy" definitely *can* boomerang, causing customer dissatisfaction and reduced profits, perhaps even over the long term.

Some dealers, though, do see cutbacks as the right move. One dealer we know eliminated a section of the service department because it was difficult to control. Another closed his body shop because of difficulties in dealing with the insurance companies. The area was only marginally profitable (again a good reporting system told him that) and when he considered the cost of money and the time it took to collect from the insurance companies, the body shop was actually losing money. So he closed it and returned $44,000 worth of body parts.

Many dealers have eliminated internal crediting of customers and now use only national credit cards. This eliminates the administrative overhead of keeping track of who owes what, and dealers are able to get the money up front instead of waiting weeks or months for it.

A few dealers *have* cut back the number of hours that they are open, feeling they've been able to identify when their traffic is traditionally light. Their customers, these dealers say, seem to have adjusted to the change, and they say their overall sales haven't suffered. And their utility costs have been reduced. But, again, such a move should be considered *very* carefully.

Dealers are turning their lights on later and are turning on fewer. Sometimes, every other light on the lot is being left off. Timers are being installed on some lights.

Thermostats are being set to higher temperatures. Part of the reasoning is, the consumer is becoming accustomed to higher temperatures in his home and at work, and is dressing accordingly.

Phone calls are being monitored for unauthorized use. One dealer put in a "toll restrictor" which eliminates calls outside his area code. Even though the device cost him $10,000 to install, he is saving $800 a month in telephone charges.

Many dealers are attacking the other side of the coin by trying to increase sales as well as reduce costs. Most say the service end of the business has been constant or improved lately, since people are intent on keeping their cars in good shape and keeping them longer. Some dealers are offering new services such as burglar alarms, rustproofing and interior and exterior applications.

Service merchandising is becoming an important concept in the drive to increase service sales. By keeping track of when the customer last brought his car in for service, a dealer is able to "remind" him it is time to bring the car in again. Or when the customer does bring his car in for service, additional service can be sold if you have records that are immediately accessible telling what his service history has been. Again, computers can really help here.

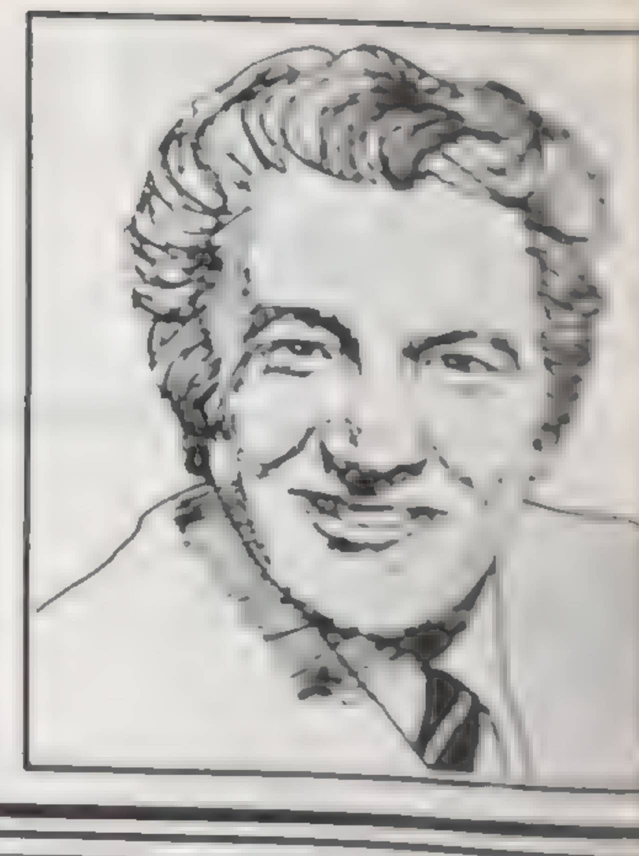
The point is, there *are* a lot of things dealers can do to ensure that they will be around when the economy improves. While each has his own specific methods for reducing costs, there are certain things every dealer has to do in these times. Set your goals, make your plans, and continually monitor your progress. *You* will be in control.

The Author

William L. Trego, C.P.A., M.B.A., is the manager of the Management Advisory Services Dept. for Blackman, Kallick, and Co., a Chicago C.P.A. firm. He has been advising clients on how to establish and maintain management controls for ten years. He has helped clients implement both manual and electronic data processing systems for operational and accounting areas, and he has designed systems for budgeting, accounting, sales reporting, costing, and inventory control. He received his M.B.A. from the University of Chicago.

advertisers index

Selling Yourself



Joe Girard

The 180 Degree Turn

Last week, a student at one of my sales conferences said, "Joe, why do you keep saying that I don't sell sports equipment when you know I do. I sell the very best."

I replied, "Larry, I kid you not. Skis and golf clubs are not your real product. Your real product is you and *you're* the best. Don't forget that."

Trouble with Larry was his attitude needed to be straightened out. His attitude toward himself, his job, his product, probably even his life.

What about you? What's your attitude? Is it positive, cheerful, optimistic, *proud* without being overbearing? Or is it negative, defeatist, pessimistic?

Consider this situation—put on your consumer hat. You *want* to buy. You need a new set of wheels. Sure, you're going to shop around. That's expected. Now, let's say you narrow it down to make and model, options and ball-park price. Two different salesmen offer you comparable deals. Would you be more inclined to buy from the guy who's just selling you a car and some horsepower, or from a guy who's warm and friendly, helpful and considerate?

You've already answered. You'll take the latter. Yet, he wasn't really selling a car, even though it was right there in the showroom, big as life and twice as beautiful. He was selling *himself*—the world's best product.

That's why Larry needs to change his attitude. And, to sell yourself more successfully, maybe you do, too.

Like practically everything else in life, there are recognizable opposites in attitudes. Positive and negative. Constructive and destructive. Broad and narrow. Cheerful and despairing. In sport, it's heart vs. give-up. In music, it's upbeat vs. downbeat. The secret to be mastered is learning to control your attitudes in a more positive way.

This begins with how you think about yourself. Your attitude about yourself and others, about your work and your leisure, is very important. It plays a significant part in one's success.

Before I changed my own attitude, my own thinking, I was anything but a success—financially or otherwise. It took a 180 degree turn in attitude before I changed the course of my life. I was flat broke. I was bitter and resentful. I was sick of being up against the ropes. I was Negative with a capital N.

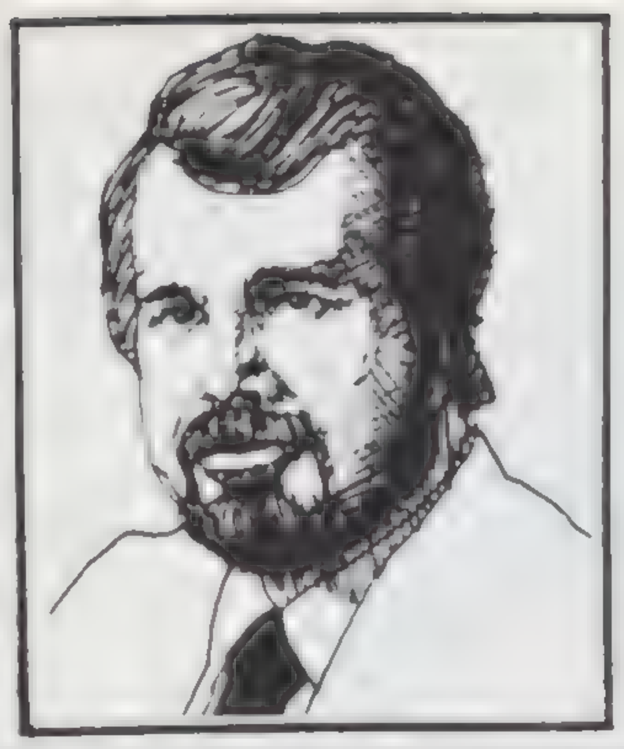
Then one day my wife said, "Joe, stop wiping your shoes on yourself. To me, you're the most important guy in the world and I won't have it." That forced me to do some thinking, to take a new look at myself, to try to see myself as No. 1 and not low man on the totem pole.

As I said, it took 180 degrees and it wasn't easy. But, as that song goes, I decided to accentuate the positive, eliminate the negative. I told myself, "Joe, from now on you sell *you* first, and the rest will fall in place."

And, it did. A few months ago my friend, Norman Vincent Peale, called me the No. 1 Positive Thinker. And that's no small compliment coming from the author of *The Power of Positive Thinking*.

Attitudes can be changed. Start thinking positively. Have faith in yourself. Believe that good is going to come your way. Regard yourself as the best. Start liking yourself. You'll be amazed how soon others will share the same attitude about you and about what you do and what you stand for.

These columns are prepared by Joe Girard, named the world's greatest salesman 12 times by the Guinness Book of World Records, and syndicated through Allied Press International. All questions and comments concerning information included in these columns should be directed to API, P.O. Box [illegible] Washington, DC 20013.

THE SERVICE  DEPARTMENT

Douglas Eickhoff

...s 7:15 in the morning. Do you ...now where your service ad...isors are? Assuming your Ser... Department opens at 7:30 ... your service advisors and ...ice manager should be on the ...

... typical morning looks like ... Several cars are parked out... with the driver behind the ...el; he or she has practiced ...wing out" your service ad... for the past 15 minutes. "I'm ... to tell that guy in no uncer... terms that he can take this car ... shove it if he doesn't get it ... this time."

...e line outside the door is get... longer. It is past 7:30 and the ... door is still not open. Fi... someone hits the button, ... door goes up, the lights go on, ... it looks like the place is going ... some business after all.

... cars outside start up and ... inside as quickly as possible ... to get to the service ad... first. Instantly, the desk is ...nded by mass confusion.

...ey all want to be first! One ...omer has come back for the ...d or third time, another is a ...ipper, he buys his preferen... treatment fair and square, the ...ne "thought" he was first in ... 7:15, and of course, friends, ... and business associates— ... "know" somebody.

... now 8:00 a.m. Rides are ... up outside to take the cus...ers to work, back home, etc. A ...ibor, with a small child in the ... is getting impatient and hopes ... quick return home. You can ... will remember this place. ... 8:15 a.m., and some people ... been in line for over half an hour—waiting. By now, they have heard some pretty bad language, complaints, threats and disagreements. Tempers start to flare, customers are getting madder and more impatient minute by minute. You see that familiar disgusted glance at the wristwatch. Most of these people are now late for work.

"When are they going to get to me?" "Does anybody know that I'm here?" "Why can't they do this faster?" "Does anybody care?"

Do you? Of course you do, if you want the Service Department to make money for you.

Let's have an instant replay now of the "typical" morning with some slight management-oriented changes.

It is 7:15 in the morning. The lights are on in the Service Reception area, the service advisors are getting their repair orders ready and are gearing themselves for a good day. They are checking with management on the available workload for the day and are ready to go. They are professionals and look it with uniform slacks and blazers, white shirts and ties.

The service manager is the greeter this morning. He equips himself with tag numbers in numerical order, the appointment list, and a friendly, positive attitude.

At 7:30 sharp, the Service Department is ready to do business. The switchboard operator will hold all calls for all service advisors until all customers present have been taken care of. She takes messages and makes it understood that as soon as the service advisors are free, they will return the calls. All appointment calls go to the service dispatcher or shop foreman.

The doors open and the customers begin to drive into the Service Reception area. "Good morning sir/madam, may I have your name please? Mr. Customer, do you have an appointment for today? A service advisor will be with you in a few minutes to write up the repair order. Please stay with your car. Thank you."

A numbered tag is put under the wiper blade to identify the car. The car/customer is listed in numerical order. If a customer asks for a specific service advisor, the greeter writes the advisor's name on the tag. The advisor will then take that customer as his rotation dictates, when the customer comes up in line.

Since only the service manager does the greeting, all customers are greeted within a very few minutes. Should the customer have to wait, though he is in a particular hurry, he may fill out a "Service Night Letter" or Service envelope with repair or phone instructions. The car will then be written up a little later.

A patient customer understands that everyone cannot be taken care of immediately, but don't let him just stand there. Offer him a cup of coffee if you can. It helps to relax the mood. With a proper greeting, a smile, and a cup of coffee, the customer's attitude will be a lot more relaxed. Try it.

Remember the customer who only wants to talk to the service manager? He just got his wish. Æ

... prepared exclusively for **automotive executive** *by Douglas Eickhoff, Service and Parts Director of Steve Foley Cadillac, Inc. All comments or ... pertaining to these columns should be addressed to: Douglas Eickhoff, Steve Foley Cadillac, Inc., 100 Skokie Blvd., Northbrook, IL 60062.*

(from page 1)

With the same tenacity and togetherness, dealers must re-examine the events of past months to learn the lessons and to map future strategies. Now is a time for close attention to individual businesses and management. But at the same time, dealers must participate more actively in their Association.

One lesson that we must carry forward is that—during crises—the government and manufacturers have been concerned with their own problems. Their attention to dealers' needs has been captured only when dealers appeared in organized groups. This shield of unity must become dealers' permanent armor.

Dealers must continue to press the government for tax relief and for consumer-aimed incentives that will help sell new cars and trucks.

Dealers must continue to insist that our factories carry the upper parts of the risk of financing inventories.

But, more, dealers must stand firmly together—as small business people with common problems—so they are recognized, consulted and heeded—as they deserve to be.

(from page 39)

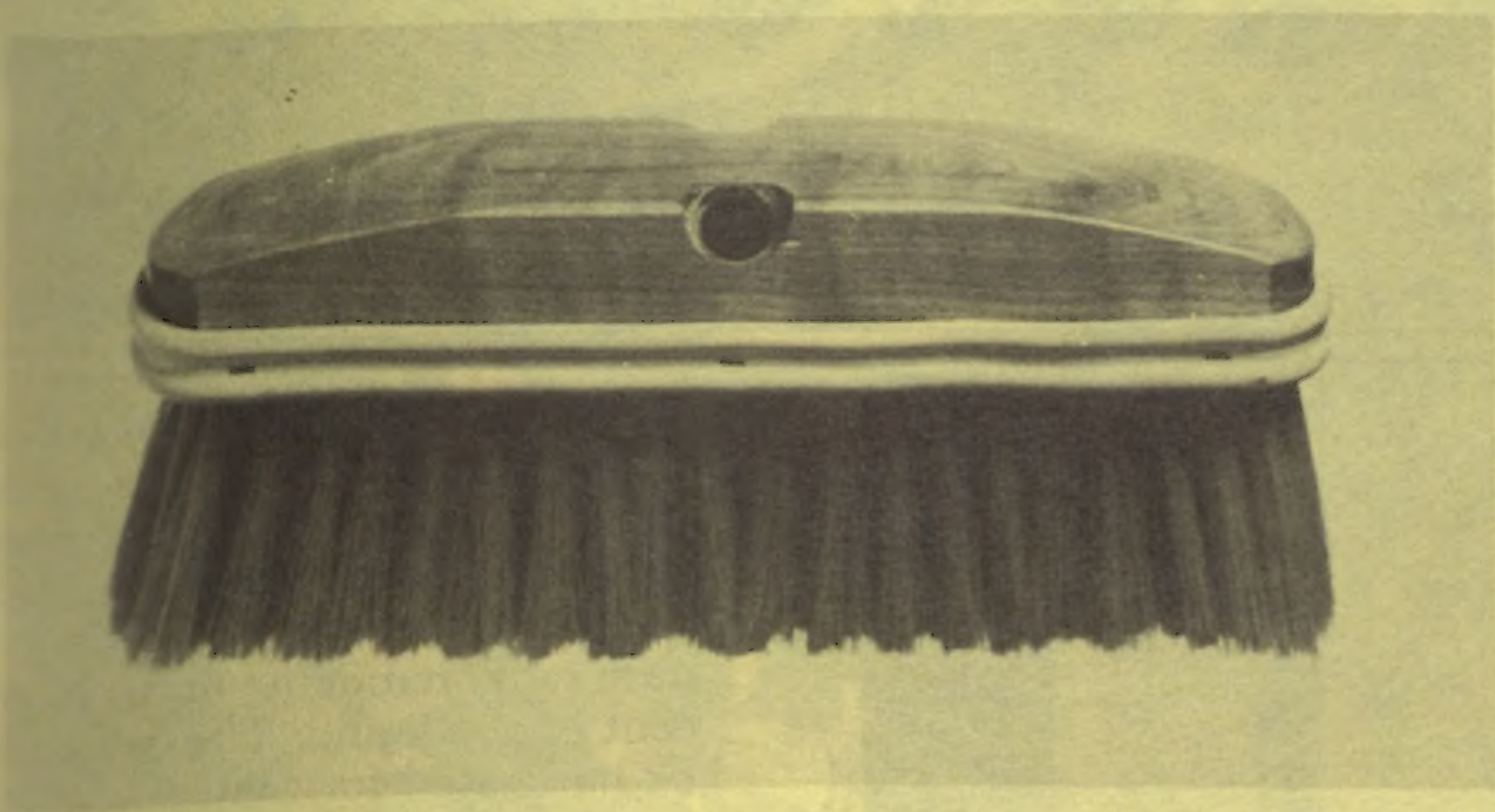
seen as a positive reform, and the elimination of gateway restrictions and circuitous routing were viewed favorably by some participants.

DOT's meeting with owner-operators on these ten issues indicated the government's willingness to make a serious effort towards solving problems. Secretary Goldschmidt initiated a commendable project that takes into consideration the "little guy's" point of view.

Owner-operators, like truck dealers, represent an integral part of the nation's transport system. They are crucial to the hauling of the nation's goods, but they have critical problems that demand immediate solutions. DOT took the first step toward solving truckers' problems. Now we must watch and hope for action on the part of the Administration and Congress. If they don't act, the owner-operator truly will become a disappearing breed.

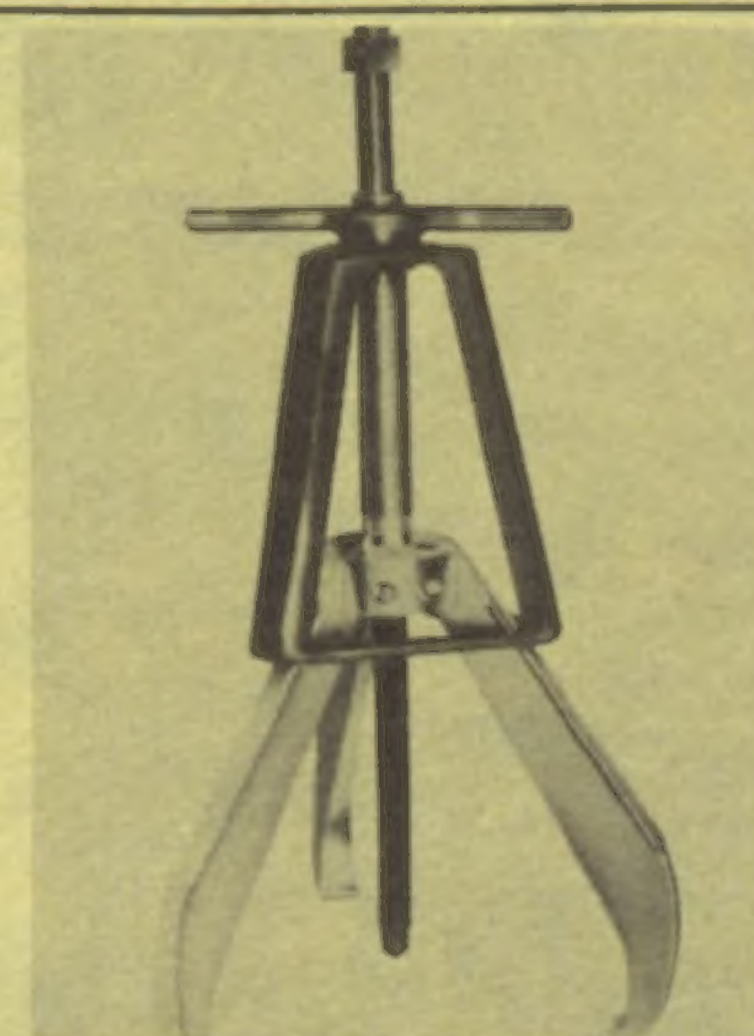
Showcase

WHAT'S NEW ON THE MARKET



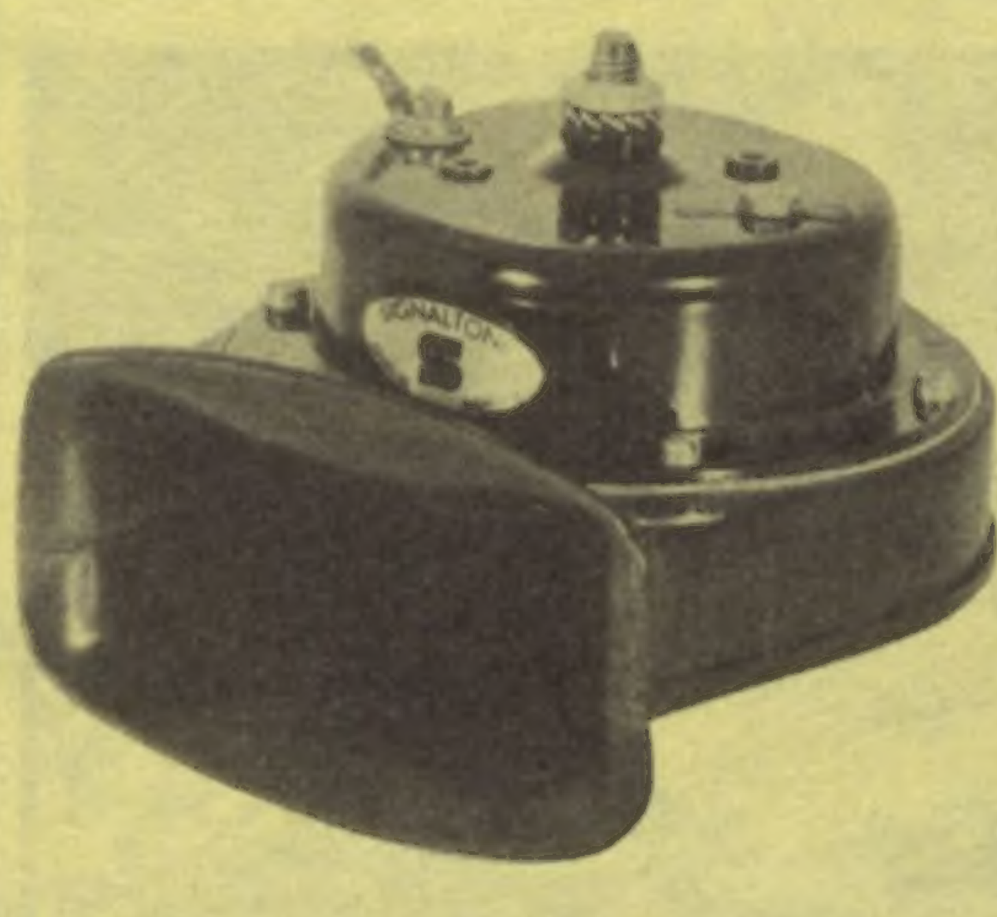
Flo-Pac Corp. introduces **Truckwash Brushes.** Unlike wood, there is no cracking, no warping, no water absorption, and no rotting with structural foam blocks. The chemically resistant green Nylex bristles eliminate bristle matting or failure often encountered when natural fibers are attacked by cleaning chemicals or detergents. Another worthwhile feature is a protective wrap-around vinyl bumper strip. It prevents damage to car and truck finishes. Manufacturer: Flo-Pac Corp., 918 N. 3rd St., Minneapolis, MN 55401.

Val-Plex EP Grease®, is described as "a top quality, heavy duty automotive grease that is especially formulated for maximum performance in the most demanding service applications." The grease is recommended for use in suspension systems, universal joints, steering linkages and wheel bearings. The new grease is also recommended for wheel bearings on vehicles equipped with disc brakes. Manufacturer: Valvoline Oil Co., Div. of Ashland Oil, Inc., Ashland, KY 41101.



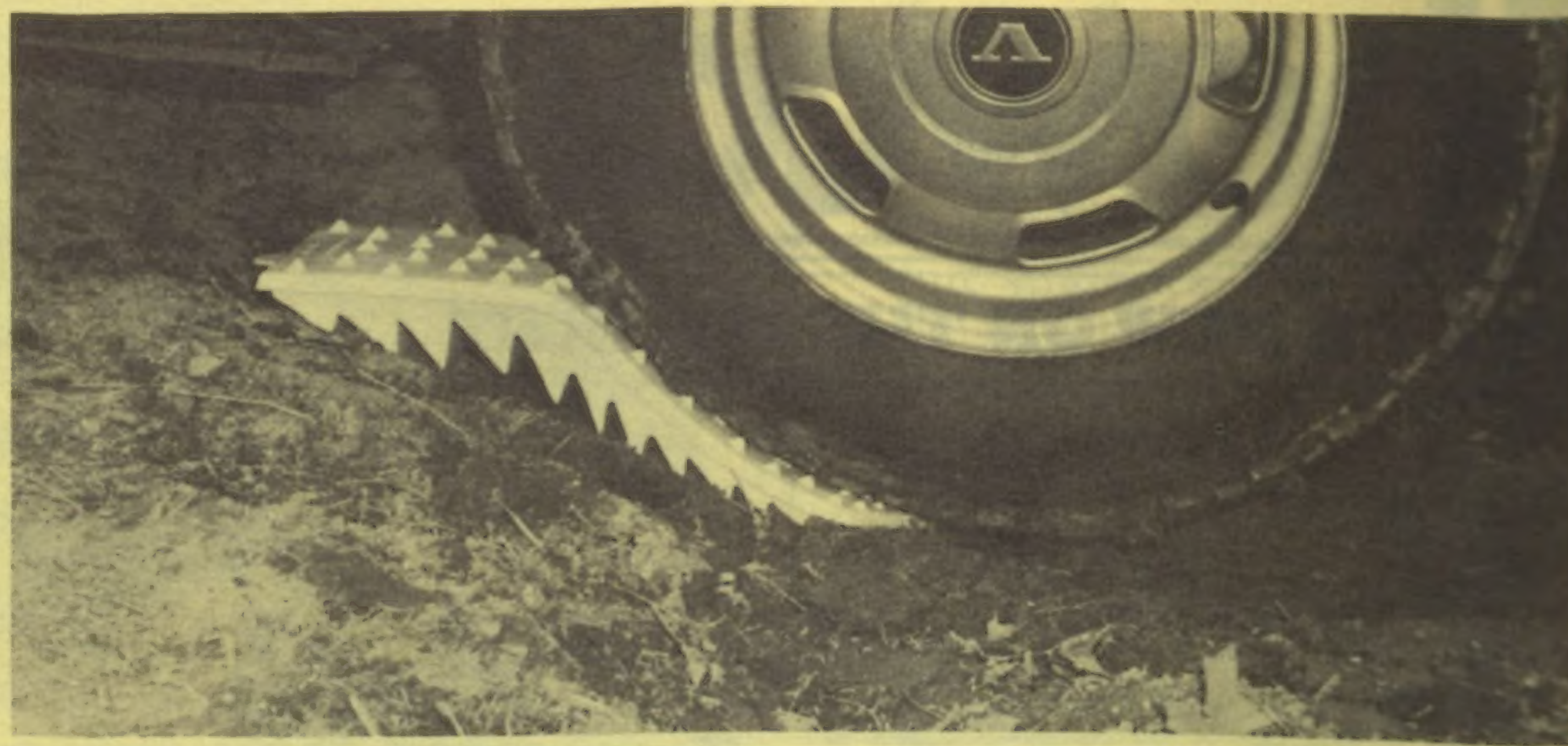
Armstrong-Bray announced the addition of the **Posi-Lock Puller®** to their line of industrial and automotive pullers. This puller features an outer sliding steel cage that locks the puller jaws in position. As the T handle is turned, the case is moved down and forces the jaws together, locking it on the part to be pulled. The puller is self-aligning so pulling is straight and smooth. Danger to part or personnel due to slippage is greatly reduced. Posi-Lock Pullers come in three sizes: 4e reach with 5e spread; 6e reach with 7e spread; and 10e reach with 15e spread. All three sizes are available in both 2 arm and 3 arm models. Manufacturer: Armstrong-Bray & Co., 5366 NW Highway, Chicago, IL 60630.

Signaltone's **"Freeway Blaster"** is designed for addition to, or replacing the original equipment horn(s) to provide extra loudness to alert drivers in noisy and high speed traffic. For use in cars, vans, trucks and RV's, the Freeway Blaster's single terminal electromagnetic motor features dual copper wire coil windings for greater output using a standard 12-volt power source. The motor housing is of a rugged metal construction, finished in black enamel. The horn is available in a high or low note. Manufacturer: Signaltone Corp., 946 Frisbie, Cadillac Industrial Park, Cadillac, MI 49601.



Information and photographs of products listed in Showcase *have been provided via manufacturer's press releases. A product's appearance in this column in no way implies endorsement by either NADA, the National Automobile Dealers Service Corp., or* **automotive executive** *magazine.*

The X-Tracto brand **traction ramp** can be used to get cars, vans, light trucks, RV's, and 4-wheel-drive vehicles out of snow, mud or sand. The X-Tractor traction ramp is constructed of high density, injection molded polyethylene and is finished in highly visible "safety yellow." It can withstand vehicle gross weights of 10,000 lbs. For most applications, only one X-Tractor is necessary. Manufacturer: X-Tractor Corp. of America, P.O. Box 6838, Bridgewater, NJ 08807.

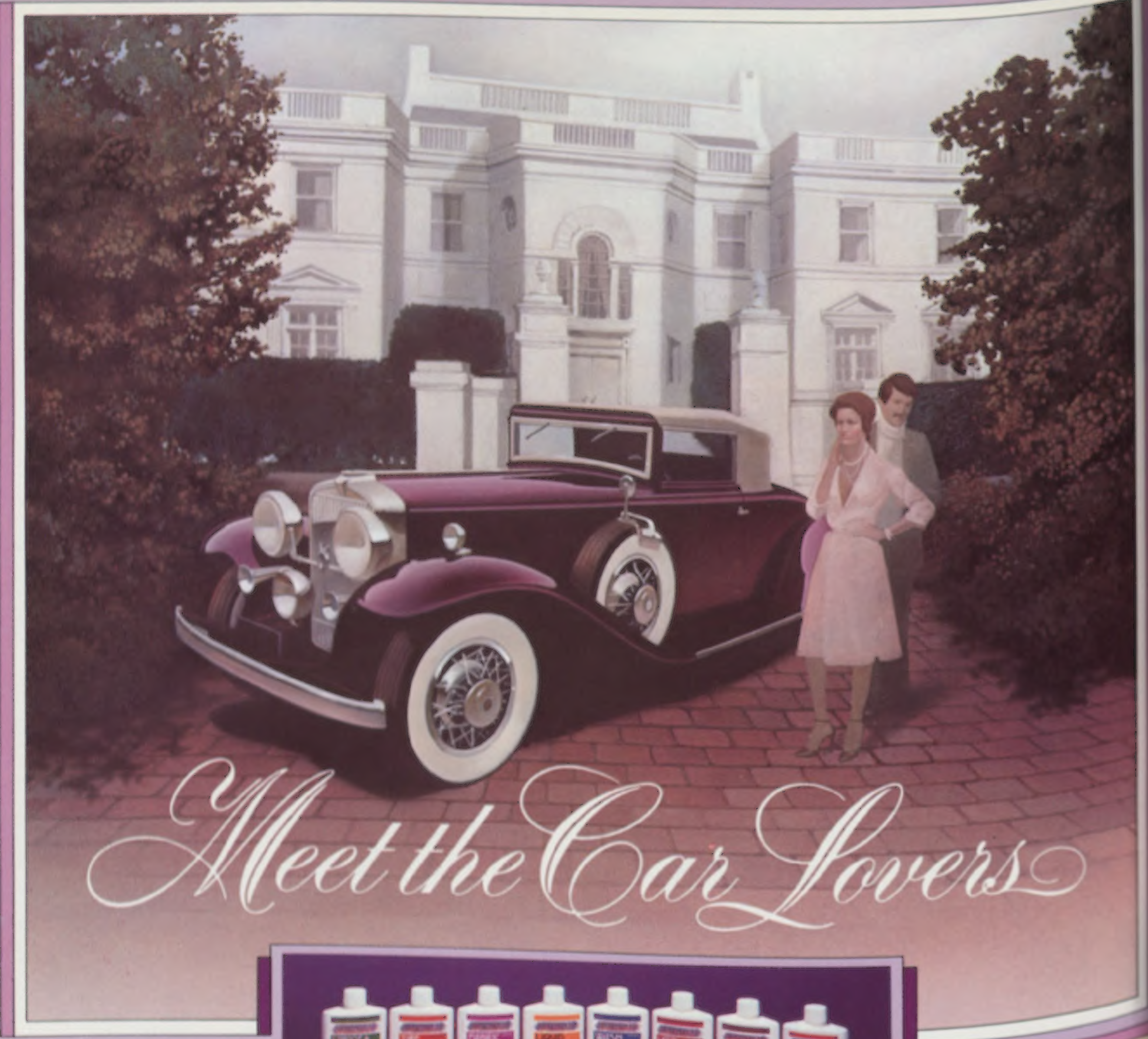


The **3C-1** is a single-arm **water extraction cleaner** for carpets and upholstery in cars, vans, RV's, large trucks, etc. The lightweight, cast aluminum cleaning tool at the end of the single 17-foot hose discharges cold water, mixed with a special detergent under pressure into the carpet or upholstery. This liquid is designed to dissolve grease, pick up dirt and wash out sticky residues from the fibers. Once the water and detergent are applied, the vacuum immediately sucks the dirty fluid into the vacuum tank, removing up to 90 percent of the liquid. The 3C-1 may be purchased for manual or coin operation. Manufacturer: Rug Specialist Inc., P.O. Box 9035, Jonesboro, AR 72401.

Carburetor throttle return springs, from spring specialist Raymond Merchandise, are featured as gasoline savers. Five sales points on the spring display card are: Stops accelerator sticking, stops engine fast idle, reduces fuel consumption, easy spring installation and no tools required. The card holds 24 springs and is designed for counter, pegboard or wall display. Manufacturer: Raymond Merchandise, Barnes Group Inc., 380 Sciota St., Corry, PA 16407.

Benwil Industries, Inc., has announced the new four-post above-ground **hydraulic vehicle lift.** The new model FP-7 has a 7,000 pound capacity and is available with an optional scissors lift to raise the vehicle above the lift's drive-on ramps for easier fitting of exhaust systems and for tire, brake and front-end work. The new FP-7 is easily and economically installed without costly excavation, allowing relocation for facility remodeling or additional expansion. Manufacturer: Benwil Industries, Inc., 20526 Gramercy Pl., Torrance, CA 90501.

The Gates Rubber Co. recommends its **Green Stripe Thermostat.** It has a patented heat motor with positive type actuator design. This results in a smooth, predictable and positive piston movement. Construction consists of heavy gauge brass and stainless steel. The thermostats are available in choke-type, top by-pass, bottom by-pass, side by-pass, normally open and other types to meet heavy-duty cooling system designs. Manufacturer: Gates Rubber Co., P.O. Box 5887, Denver, CO 80217.



CHROME & METAL CLEANER
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WASH & SHINE
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Introducing 8 new ways to boost your showroom traffic and brighten your profit picture from Polyglycoat!

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Guaranteed to be exciting traffic builders for your dealership—you'll have the first opportunity to sell them through your service and parts departments.

A brand new advertising campaign will back up your efforts, and take the message right to the consumer. Newspaper and magazine ads and TV commercials will deliver the customers right to you!

From Polyglycoat's very beginning, new car dealers have been the backbone of our extraordinary growth. That's why we've supported you all the way ... because your success is our success.

We're doing everything we can to sharpen your Competitive Edge and brighten your profit picture ... because we love our dealers like we love cars.

Send in the coupon for more information, or call toll-free (800) 431-1936; in N.Y. (914) 332-1100.

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YES, I am interested in all of Polyglycoat's new ideas for [illegible] dealership. Please contact me right away.

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